Annual Report 1975

Beneficial Corporation

is a holding company.
Its subsidiaries are grouped in two operating divisions — Finance and Merchandising.

The Finance Division

consists principally of the loan and finance subsidiaries, which engage in the consumer loan and sales finance business in the United States, Canada, England, and Australia. Other subsidiaries in the Finance Division are engaged in insurance, primarily all aspects of consumer credit insurance, but also including other direct coverages and domestic and international reinsurance.

The Merchandising Division

is comprised of Western Auto Supply Company and Spiegel, Inc., and their subsidiaries. Western Auto carries on a nationwide business, selling a variety of merchandise, principally durable goods, at retail in its own stores and at wholesale to independently owned and operated associate stores. Spiegel, Inc. is engaged in the sale of merchandise, primarily soft goods, through catalogs, by mail and through order stores.

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Beneficial Corporation 1975 Annual Report

Highlights

During the Year	1975	1974	% Increase (Decrease)
Net Income:			
Finance Division:			
Loan and Finance	**$33,397,000**	$33,104,000(a	0.9%
Insurance	**$17,173,000**	$10,708,000	60.4
Income from Finance Division	**$50,570,000**	$43,812,000(a	15.4
Merchandising Division:			
Western Auto	**$18,147,000**	$14,582,000	24.4
Spiegel	**$4,650,000**	$5,288,000	(12.1)
Income from Merchandising Division	**$22,797,000**	$19,870,000	14.7
Total	**$73,367,000**	$63,682,000(b	15.2
Earnings per Common Share:			
Primary	**$3.34**	$2.83(b	18.0
Fully-diluted	**$2.94**	$2.55(b	15.3
Dividends Paid per Common Share	**$1.25**	$1.25	—
Loan and Finance Offices:			
Finance Receivables Acquired			
Amount*	**$1,553,622,000**	$1,669,254,000	(6.9)
Number	**1,512,000**	1,886,000	(19.8)
Average Amount of Transaction*	**$1,028**	$885	16.2
Net Sales and Other Revenue:			
Western Auto	**$653,081,000**	$643,204,000	1.5
Spiegel	**$367,319,000**	$396,028,000	(7.2)
At Year End			
Loan and Finance Offices:			
Finance Receivables*	**$1,828,456,000**	$1,781,500,000	2.6
Number of Accounts	**2,008,000**	2,138,000	(6.1)
Average Account Balance*	**$911**	$833	9.4
Number of Offices	**1,723**	1,773	(2.8)
Western Auto:			
Number of Company-owned Stores	**534**	544	(1.8)
Number of Associate Stores	**4,114**	4,271	(3.7)
Number of Employees	**26,600**	29,300	(9.2)
Number of Holders of Common Stock	**29,900**	30,000	(0.3)

* After deducting Unearned Finance Charges.

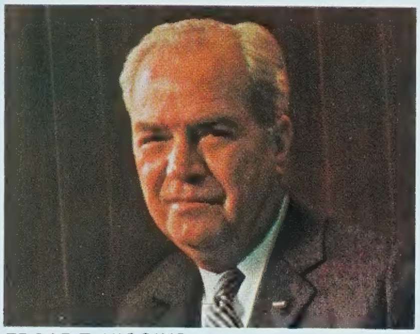
a) Restated for retroactive change in method of accounting for unrealized gains and losses on the translation of foreign currencies. (See Note 2b, Page 16.)

b) Restated (see Note "a" above). Excludes Extraordinary Credit of $12.1 million (see Note 16, Page 20). Primary and Fully-diluted Earnings per Common Share exclude Extraordinary Credit of $.64 and $.49 per share respectively.

Information required by Securities and Exchange Commission rules concerning the lines of business of the Company's subsidiaries is included in the Eleven-Year Summary on Page 28.

Annual Meeting The Annual Meeting of the shareholders of Beneficial Corporation will be held on Friday, April 30, 1976 at 11 a.m. Eastern Daylight Time at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Beneficial Corporation
Beneficial Building, Wilmington, Delaware 19899



EDGAR T. HIGGINS

CECIL M. BENADOM

To Our Shareholders

Beneficial's excellent 1975 performance belied the pessimistic economic forecasts for that year. Consolidated Net Income of $73.4 million represents a gain of $9.7 million (15.2%) and Earnings per Common Share (primary) of $3.34 reflects an increase of $.51 (18.0%). All 1974 figures are restated and those on this page exclude an Extraordinary Credit. (See Notes 2b and 16 to Beneficial's Financial Statements.)

The Finance Division's 1975 Net Income of $50.6 million, which was 68.9% of Beneficial Consolidated Net Income, was 15.4% higher than that for 1974. Loan and Finance Net Income of $33.4 million was slightly higher than the $33.1 million for the prior year. Striking gains were recorded by the Insurance Group, evidenced by a 60.4% increase in Net Income from $10.7 million to $17.2 million.

The Merchandising Division's Net Income, which contributed 31.1% to Beneficial's Consolidated Net Income, showed a gain for 1975 of 14.7%, $22.8 million as compared to $19.9 million. Western Auto Supply Company achieved its highest Net Income ever, $18.1 million, 24.4% better than 1974's $14.6 million.

Spiegel's Net Income for 1975 declined from $5.3 million to $4.7 million. As a result of a review of its operation by a committee appointed by Beneficial's Board of Directors, recommendations were made, which have been or are being implemented. Better performance is expected.

Record highs in Finance Receivables of the loan and finance subsidiaries, Premium Income for the Insurance Group, and record Net Sales and Other Revenue for Western Auto were noteworthy in view of the lingering recession. Finance Receivables of the loan and finance subsidiaries increased $47 million (2.6%) during 1975 to $1,828 million. The Insurance Group's Premium Income of $69.5 million for the year represented a gain of $10.8 million (18.5%). Western Auto's Net Sales and Other Revenue of $653.1 million for 1975, 1.5% above the prior year, reached an all-time high. Spiegel's Net Sales and Other Revenue of $367.3 million was 7.2% less than for 1974.

In February 1976, after a thorough account-by-account appraisal, our loan and finance subsidiaries purchased receivables from American Finance System, Inc. in 15 states for approximately $48 million. Subsequent to this purchase, preliminary negotiations were commenced for the possible acquisition of American Finance in its entirety. Any final agreement would be subject to all requisite approvals under state and federal law. Shareholders will be kept informed as developments occur.

Beneficial is confident it will have a good year in 1976. A determined effort to increase employee productivity, continued close control of expenses, and intensification of marketing efforts by both divisions will lead to this result.

For the Board of Directors,

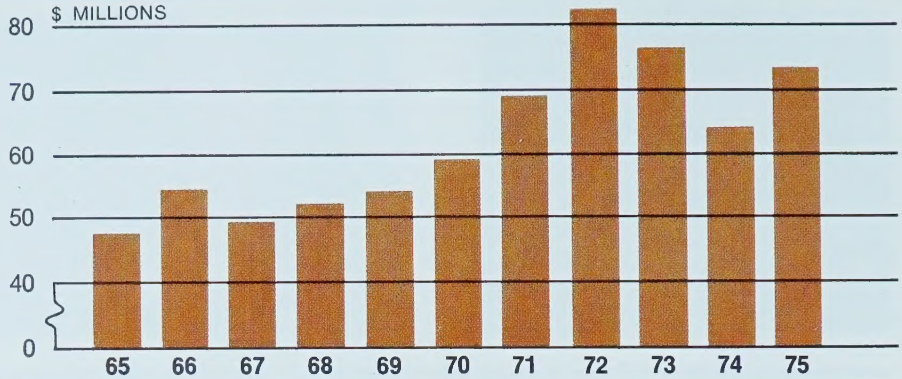
Edgar T Higgins
Chairman of the Board

Cecil M. Benadom
President

March 2, 1976

Consolidated Net Income
Excluding Extraordinary Credit (1974) (see Note 16, Page 20).
1974 and prior years restated (see Note 2b, Page 16).

1975	$73,367,000
1974	63,682,000
1973	75,773,000
1972	82,204,000
1971	68,755,000
1970	59,194,000
1969	53,627,000
1968	51,965,000
1967	49,100,000
1966	54,032,000
1965	47,478,000



Earnings and Dividends

Beneficial is pleased to report Net Income for 1975 of $73.4 million as compared with $63.7 million for 1974, excluding the Extraordinary Credit in 1974. To conform with Statement No. 8 issued in October 1975 by the Financial Accounting Standards Board, Net Income for 1974 and prior years has been restated in this report as to unrealized foreign exchange gains and losses. See Note 2b to Beneficial's Financial Statements (Page 16) for the effect of the change in Net Income and additional information.

Earnings per Common Share is as follows:

	Earnings per Share		Number of Common Shares (a	
	1975	1974(b	1975	1974
			(in thousands)	
Primary	$3.34	$2.83	19,145	19,103
Fully-diluted	2.94	2.55	24,451	24,479

a) Including equivalents.
b) 1974 restated. Also, 1974 excludes Extraordinary Credit of $12.1 million, $.64 and $.49 per share, primary and fully-diluted.

There was a more substantial change in Net Income among the components of the Divisions than between the Divisions, as shown here and in the next tabulation:

	Amount		Percent	
	1975	1974*	1975	1974
	(in millions)			
Finance Division	$50.6	$43.8	68.9%	68.8%
Merchandising Division:				
Western Auto	18.1	14.6	24.7	22.9
Spiegel	4.7	5.3	6.4	8.3
Combined	22.8	19.9	31.1	31.2
Total	$73.4	$63.7	100.0%	100.0%

*Excludes 1974 Extraordinary Credit of $12.1 million; 1974 restated.

Both the Finance and Merchandising Divisions continued fine expense control. This, together with a substantial decline in interest rates, was of major help in making 1975 a successful year.

Charge-offs (gross) of uncollectible accounts for the Finance Division of $57.2 million were14.5% higher than for 1974, leading to a 1975 increase in Provision for Possible Credit Losses, thereby moderating the improvement in Net Income. The restatement of Net Income of prior years for the accounting change relating to unrealized foreign exchange gains and losses played a prominent part in the 1975-74 comparison by substantially reducing 1974 Net Income.

Operations of the Finance Division reflect the following:

	1975	1974	% Increase (Decrease)
	(in millions)		
Revenue:			
Loan and Finance	$383.5	$388.2	(1.2)%
Insurance	78.4	64.3	21.9
Total	$461.9	$452.5	2.1
Net Income:			
Loan and Finance	$ 33.4	$ 33.1*	0.9
Insurance	17.2	10.7	60.4
Total	$ 50.6	$ 43.8*	15.4

*Restated.

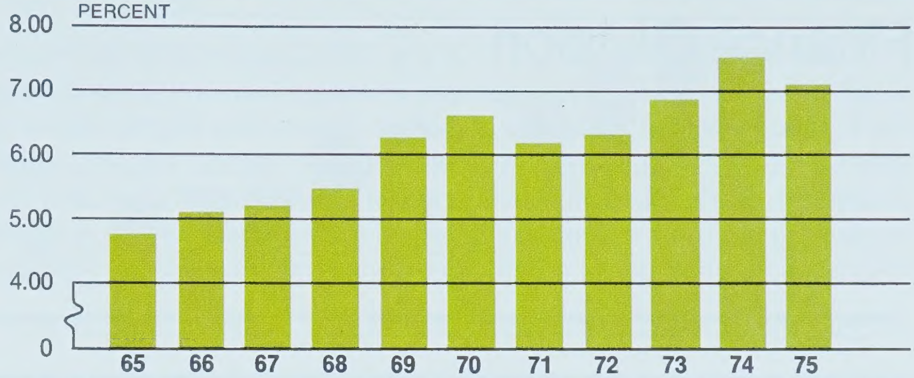
Interest Expense of the Finance Division was 7.1% ($7.4 million) lower than for 1974; 57.2% of the reduction was due to lower interest rates. For the Finance and Merchandising Divisions combined, there was a decline in Interest Expense of 12.2% ($18.2 million) of which 40.5% ($7.4 million) was due to the decline in interest rates. The reduction in combined Interest Expense due to lower interest rates, after taxes, equaled $.29 per Common Share (primary).

Management's Discussion and Analysis (Pages 14, 22, and 25) contains additional analysis and explanation of improvements and declines.

Dividends per Common Share were paid in 1975 at the rate of $1.25, which was the rate paid in 1974. The dividend paid December 31, 1975 was the 186th consecutive quarterly dividend.

Interest Expense—Effective Rate

1975	7.10%
1974	7.52
1973	6.86
1972	6.30
1971	6.17
1970	6.63
1969	6.26
1968	5.49
1967	5.18
1966	5.08
1965	4.77



Financial

The Company's financial strength increased despite an economy that produced the worst slump and highest unemployment in the post-World War II period. Beneficial demonstrated its ability to produce a steady flow of earnings, leading to a further improvement in its financial ratios and the strengthening of an already strong Balance Sheet.

In order to minimize exposure to foreign exchange fluctuations, Beneficial's foreign operations are being financed to the extent possible by borrowing in the currency of each country where operations are conducted. In connection therewith, within a six-month period beginning in July 1975, the Company's subsidiary, Beneficial Finance International Corporation, under the Company's guaranty, sold three Euro-Canadian dollar debt issues which totaled $65 million, all of which were well received. It was the first non-Canadian company to borrow Euro-Canadian dollars. The name "Beneficial" is now achieving prominence in the European financing markets; this is likely to be of considerable value in the future.

Short-term interest rates were much lower at year end compared to those at the beginning of the year while long-term interest rates were more stable, ending the year slightly down. The 1975 average rate of annual interest expense, giving effect to compensating balances at banks, for the Finance Division was 7.10%, which compares to 7.52% for 1974.

The average interest rate at year end for notes then outstanding at banks was 7.72%, commercial paper—6.84%, long-term debt—6.66%, and overall—6.77%. This compares with 1974 year-end rates of 10.58%, 10.26%, 6.68%, and 7.29% respectively.

Beneficial Corporation and Consolidated Subsidiaries' borrowings at year end were as follows:

	1975		1974	
	Amount (millions)	%	Amount (millions)	%
Short-term Debt:				
Banks	$ 136.6	8.21%	$ 117.9	7.15%
Commercial paper	142.8	8.58	147.1	8.91
Employee thrift accounts ..	29.7	1.78	24.9	1.51
Total	309.1	18.57	289.9	17.57
Long-term Debt:				
Due within one year ..	155.0	9.31	41.9	2.53
Other	1,200.3	72.12	1,318.6	79.90
Total	1,355.3	81.43	1,360.5	82.43
Total Debt	$1,664.4	100.00%	$1,650.4	100.00%

Average short-term borrowings during the year were $32.4 million at banks and $144.4 million in commercial paper. The maximum amount of short-term notes payable at any month end was $279.3 million. The Company believes in financing its long-term growth in receivables primarily through the use of long-term debt.

Commercial paper is sold directly by the Company to institutional and other sophisticated investors in amounts of $100,000 or more for terms of 15 to 270 days. Standard and Poor's and Moody's investor rating services have assigned to Beneficial commercial paper their ratings of A-1 and P-1 respectively, which is the highest rating of each for prime commercial paper. The Company has not experienced any difficulty, nor does it expect any difficulty, in selling short-term notes.

Holders of $41.4 million of the Company's $75 million Debentures due July 1, 1978 (interest at 9⅜% to July 1, 1975 and at 8¼% thereafter) exercised their right of advanced maturity on July 1, 1975. Substantially all holders of the principal Canadian subsidiary's $25 million 9% Debentures due 1991 elected the January 2, 1976 maturity option for payment.

Finance Division

Of the 1975 Consolidated Net Income of Beneficial Corporation, 68.9% was derived from the loan and finance offices and insurance operations, which constitute the Finance Division. Revenue of $461.9 million was slightly higher (2.1%) than the preceding year's $452.5 million, while Net Income of $50.6 million was an improvement of 15.4% over the preceding year's $43.8 million (restated). A decline in Loan and Finance Revenue was moderated by lower interest costs and good expense control. A strong gain in Net Income of the Insurance Group brought about a substantial increase for the Finance Division.

Loan and Finance Offices

The loan and finance offices make consumer loans to individuals pursuant to consumer finance laws, which include "small loan laws" and other statutes authorizing larger loans. They also purchase sales finance contracts evidencing time sales of merchandise and services and engage in related activities.

The performance of Beneficial's loan and finance offices was impressive, although the cumulative effects of inflation and recession made 1975 a trying year for the consumer finance business. Revenue for 1975 of $383.5 million was 1.2% less than 1974's record high of $388.2 million. Net Income increased 0.9% from $33.1 million to $33.4 million. The Balance of Principal of Finance Receivables of $1,828 million at year end was 2.6% ahead of 1974's $1,782 million, reaching the thirty-second consecutive annual all-time high.

The 1975 results were satisfactory despite a larger Provision for Possible Credit Losses (see table on Page 6) required primarily because of a higher percentage of uncollectible accounts charged off. Loan receivables more than two months delinquent at year end were 1.29% as compared to 1.28% for 1974. Again in 1975, an increase in larger loans with longer maturities, a decrease in the number of accounts paid off prior to maturity, and more difficult collections resulted in a decrease in monthly cash principal collections as a percentage of average net receivables, going from 4.29% to 4.12%. The $865.9 million collected in 1975 was $27.9 million (3.1%) less than the $893.8 million collected in the prior year.

The 1,723 loan and finance offices (1,435 in the United States, 198 in Canada, 25 in England, 60 in Australia, and 5 in Puerto Rico) were 50 less than at the end of the prior year, representing 77 closings and 27 openings pursuant to a profit analysis policy relating to existing and new locations. During the year, the loan and finance offices made 1.2 million loans and at year end had 1.6 million loan accounts as compared to 1.4 million and 1.7 million for the preceding year. The difference reflected a decline in the number of qualified customers due to the tightening of credit standards and a slackening in loan demand.

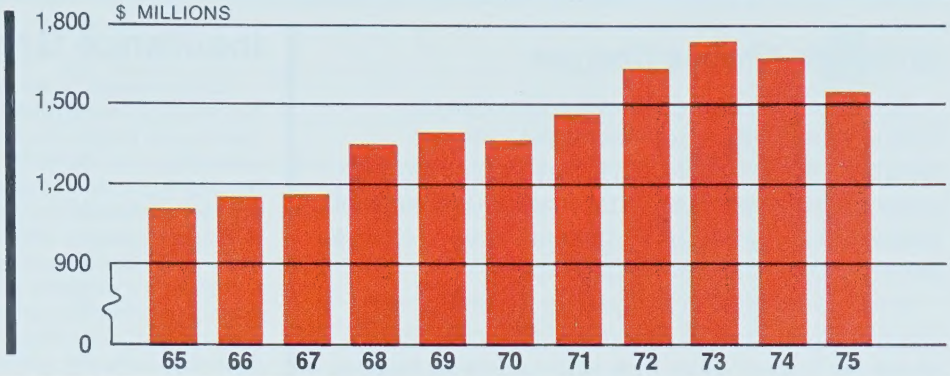
The wide distribution of Beneficial's loan and finance offices is significant in that it tends to minimize the effects of local economic and other pressures. The percentage of Finance Receivables (after deducting unearned finance charges) in each of the five jurisdictions with the highest percentages were: California, 18.2%; Canada, 12.3%; New York, 10.5%; Pennsylvania, 5.6%; and New Jersey, 4.9%.

Customer demand for larger loans, principally for the consolidation of indebtedness previously incurred, materially affected the direct cash loan business, which at the end of 1975 accounted for 93.9% of Finance Receivables less Unearned Finance Charges. Emphasis on making larger loans, on which the average rate of interest charged and the operating cost per dollar lent is less than on smaller loans, led to record loan receivables, $1,717 million at December 31, 1975 compared to $1,678 million, an increase of 2.3% over a year earlier. The average size loan made and its maturity increased from $1,057 and 36.7 months in 1974 to $1,222 and 39.2 months.

By the end of 1975, the installation of the

Volume in Loan and Finance Offices
Excluding Unearned Finance Charges.

1975	$1,553,622,000
1974	1,669,254,000
1973	1,739,432,000
1972	1,632,869,000
1971	1,461,770,000
1970	1,368,832,000
1969	1,402,672,000
1968	1,352,295,000
1967	1,162,047,000
1966	1,148,152,000
1965	1,105,807,000



Beneficial Credit Scoring System for loans had been completed in all the United States and Canadian offices. Fifteen separate regional systems specially designed for the particular conditions of each region enable the offices to promptly make the best possible credit decisions. The effectiveness of the scoring systems has been enhanced through computerized monitoring of each office's performance in comparison with other offices in the same region.

The sales finance business, though accounting for only 6.1% of Finance Division receivables, is profitable and is an important source of new customers. The 7.0% increase in sales finance receivables during 1975, from $104.0 million for 1974 to $111.3 million, is attributable to a purchase on favorable terms in the latter part of 1975 of 120,000 retail accounts with balances aggregating $28 million from an unaffiliated company. The average sales finance contract size and maturity, exclusive of the previously mentioned purchase, increased from $355 with a 17.3 month maturity to $382 with an 18.2 month maturity.

Beneficial Income Tax Service, offered in 1,332 loan and finance offices in the United States and 200 in Canada, prepared a total of 124,000 returns in 1975, which was 31.1% less than in the preceding year. Greater emphasis is being placed on this service, which was the source of $15.6 million in loans in 1975.

Operations outside the United States, principally Canadian, accounted for 16.5% of the total receivables at year end and 26.9% ($9.0 million) of Net Income of the loan and finance offices. Unrealized foreign exchange losses reduced Net Income from such operations by $5.6 million.

The United States consumer lending market, fired by increased competitiveness of the various lending institutions offering consumer credit services, continued to grow at a faster rate (from $46,781 million to $49,034 million—4.82%) than the share of that market held by Beneficial's loan and finance offices. At year end, Beneficial's share of the personal loan market, while larger in dollar amount than in the preceding year, was down from 3.52% to 3.50%.

As a result of the marketing program for Beneficial's loan and finance offices centralized data processing network ("Bencom") which was initiated in 1974, Beneficial Data Processing Corporation concluded a contract with another finance company during 1975 and is now performing that company's loan office and supervisory data processing services, including cash management functions, for its 129 offices. Beneficial Data Processing Corporation is continuing to actively solicit the data processing business of other finance companies.

Quality in every aspect of operations will continue to be emphasized in 1976, but the improved economic outlook for 1976 will enable a far more aggressive marketing program. Beneficial believes that through adherence to this strategy, the loan and finance subsidiaries will continue their success.

Thousands of families and individuals are able to get more out of life through Beneficial loan and financial services. They use Beneficial loans to consolidate their bills, for medical expenses, to pay taxes, for education, home improvements, vacations, and other worthwhile purposes.

Unearned Finance Charges

The total of Unearned Finance Charges on Finance Receivables represents the deferred income which is transferred to Revenue as monthly collections are received on the account balances of receivables on which pre-computed finance charges are added to the balance of principal.

Unearned Finance Charges are taken into Revenue by Beneficial as earned and collected under the Rule of 78ths. This Rule stipulates that the portion of income in each payment is computed as the ratio of the number of unpaid installments plus one to the sum of the months that each contractual payment is outstanding.

	Finance Receivables less Unearned Finance Charges			Unearned Finance Charges	
		Dollar-Cost Basis*			As % of Related Finance Receivables
At Year End	Total	%	Amount	Relating Thereto	
	(amounts in thousands)				
1975	$1,828,456	73.01%	$1,334,899	$388,500	29.10%
1974	1,781,500	75.83	1,350,903	380,437	28.16
1973	1,700,696	79.75	1,356,231	377,078	27.80
1972	1,579,689	81.58	1,288,659	356,641	27.68
1971	1,441,331	81.11	1,169,103	313,847	26.85

*An obligation the face amount of which includes Unearned Finance Charges.

Reserve for Possible Credit Losses

The following tabulation relates the changes in the Reserve for Possible Credit Losses during 1975:

	Amount (in thousands)	% of Finance Receivables less Unearned Finance Charges
Balance, January 1	$ 92,638	5.20%
Provision for Possible Credit Losses (after offsetting recoveries)	54,755	2.99
Foreign Exchange and Base Change Adjustments	(575)	(.16)
Total	146,818	8.03
Charge-offs (after offsetting recoveries)	51,764	2.83
Balance, December 31	$ 95,054	5.20%

Results for the five years ended December 31 are:

		Finance Receivables Charged Off After Offsetting Recoveries			Reserve for Possible Credit Losses at End of Year	
Year	Provision for Possible Credit Losses (after offsetting recoveries)	Gross Amount of Finance Receivables Charged Off	Amount	% of Average Gross Finance Receivables	Amount	% of Finance Receivables at End of Year*
	(amounts in thousands)					
1975	$54,755	$57,230	$51,764	2.42%	$95,054	5.20%
1974	51,123	49,987	44,896	2.12	92,638	5.20
1973	40,756	39,887	36,355	1.82	86,736	5.10
1972	34,042	32,265	28,431	1.56	82,154	5.20
1971	28,566	29,675	26,050	1.57	76,448	5.30

*After deducting Unearned Finance Charges.

Beneficial offers at reasonable cost a broad range of insurance protection—credit life and accident and health insurance, fire and extended homeowner coverage, household contents protection, life insurance, and single premium accidental death coverage.

Insurance Group

With the merger at the end of 1975 of Guaranty Life Insurance Company of America into The Central National Life Insurance Company of Omaha, the latter became the major life insurance subsidiary in the Beneficial Insurance Group. While Central National is primarily an underwriter of credit life and credit accident and health insurance, it also writes directly and reinsures increasing amounts of ordinary life insurance and other life and health coverages. American Centennial Insurance Company is a domestic property and casualty carrier, reinsuring substantial amounts of credit property and other coverages of United States risks. Beneficial International Insurance Company, Limited is solely a reinsurer and operates exclusively outside the United States. While much of the insurance written directly or reinsured by the Insurance Group is comprised of coverages provided through Beneficial offices, a substantial and increasing portion is written directly or reinsured from other sources.

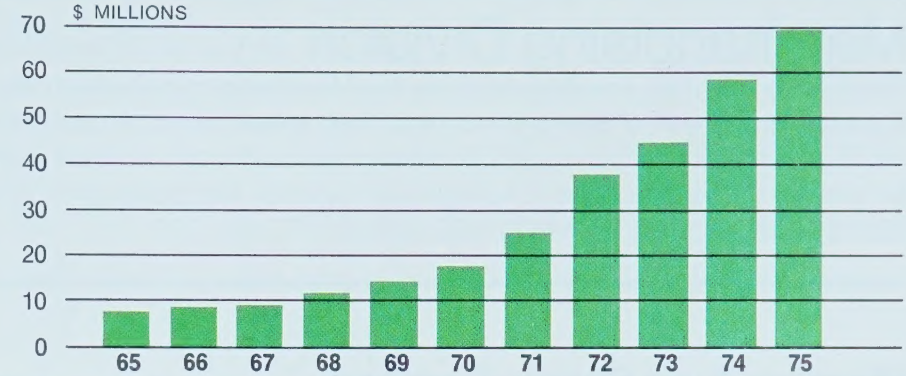
In 1975 the Beneficial Insurance Group realized the greatest net gain from operations since its entry into the field in 1957. It is significant that this commendable performance was achieved in a year of difficult economic circumstances for the insurance industry and business in general.

Net Income reached $17.2 million compared to $10.7 million in 1974, an increase of 60.4%. Premium Income from all sources increased from $58.7 million to $69.5 million in 1975, an increase of 18.5%. Continuing a favorable pattern, assets reached $195.6 million at year end. Benefits to policyholders from all coverages remained at satisfactory levels, increasing from $38.6 million in 1974 to $42.3 million in 1975, an increase of 9.7%. The claims departments in Morristown, New Jersey and Toronto, Canada processed 222,000 death and disability claims in 1975.

A remarkably busy year saw the marketing of 122 new credit insurance programs sold to independent creditors such as commercial banks and

Premium Income

1975	$69,510,000
1974	58,661,000
1973	44,542,000
1972	37,913,000
1971	24,975,000
1970	18,172,000
1969	13,961,000
1968	11,642,000
1967	8,917,000
1966	8,389,000
1965	7,591,000



other financial institutions. Premium from sources unrelated to Beneficial loan and finance office activity reached $30.6 million in 1975.

In 1975 American Independence Life Insurance Company, a Missouri corporation, was acquired by Central National as a wholly-owned subsidiary. With this purchase, the number of direct ordinary life policies in the Insurance Group at year end reached 15,950, and Ordinary Life Insurance in force, direct and reinsured, reached $208.1 million.

At year end, after the merger of Guaranty Life into Central National, the latter's assets totaled $138.4 million and life insurance in force totaled $2.6 billion, placing it within the top 10% of all U.S. life insurance companies in both categories.

Casualty reinsurance operations continued to expand under carefully developed plans both domestically and in foreign markets. In contemplation of the direct writing of credit-related fire and property business, steps were initiated to qualify American Centennial Insurance Company as a direct writer. At year end American Centennial was licensed in 11 states.

Beneficial International Insurance Co., Ltd., headquartered in Hamilton, Bermuda, and doing a reinsurance business, again enjoyed a year of substantial growth, which necessitated additional staff and space. Beneficial International assumes credit reinsurance as a participant in risks developed by unaffiliated carriers through Beneficial loan affiliates in Australia, England, and Canada. In addition, the company provides reinsurance capacity, principally through the London market, for insurance companies throughout the world. Its Premium Income reached $17.3 million in 1975 compared to $11.3 million in 1974.

Investment objectives of the Insurance Group continue to be oriented for quality income. The investment portfolio increased in 1975 from $120.0 million to $159.3 million. The portfolio at carrying value at year end (see Note 5, Page 17) is as follows:

	1975	1974
Municipal Bonds	49.0%	51.0%
Corporate Bonds	21.0	17.9
Preferred Stocks	6.8	10.0
Common Stocks	9.1	12.0
Short-Term Holdings	6.6	2.5
Other	7.5	6.6
	100.0%	100.0%

Investment income of the Insurance Group increased 41.2% to $8.8 million from $6.3 million in 1974.

These gratifying results are the product of decisions to capitalize on Beneficial's expertise in consumer credit insurance by marketing to outside independent creditors, combined with selective and innovative product development, conservative investment practices, and careful underwriting, particularly in the field of casualty reinsurance.

	1975 (millions)	1975 Over (Under) 1974
Investments	$ 159.3	32.7%
Total Assets	195.6	31.9
Future Policy Benefits and Claim Liability	115.2	34.6
Shareholder's Equity	69.1	28.6
Premium Income	69.5	18.5
Policy Benefits	42.3	9.7
Increase in Reserve for Future Policy Benefits	19.0	30.2
Net Income	17.2	60.4
Insurance in Force	2,735.0	(2.1)

Merchandising Division

Of the 1975 Consolidated Net Income of Beneficial Corporation, 31.1% was derived from the Merchandising Division, consisting of Western Auto Supply Company and Spiegel, Inc., and their subsidiaries. A moderate increase in Net Income, up 14.7% from $19.9 million to $22.8 million, was due to an increase in Western Auto Net Income far greater than the decline in Spiegel Net Income. Net Sales and Other Revenue declined 1.8% from $1,039 million in 1974 to $1,020 million.

Western Auto Supply Company

Western Auto conducts a nationwide merchandising business, selling a wide variety of merchandise, primarily durable goods, at retail in its own stores located in many major communities and at wholesale to independently owned and operated associate stores located in smaller communities. Most of the merchandise bears trademarks or brands owned by Western Auto, such as Western Auto for tires, Truetone for TV and stereos, Citation for household appliances, Westcraft for hardware and do-it-yourself items, Revelation for sporting goods, Treasure House for furniture, and Western Flyer for bicycles.

Western Acceptance Company, a wholly-owned subsidiary, purchases receivables arising from credit sales by both Western Auto company-owned and associate stores.

Western Auto and its subsidiaries, aided to a major extent by Midland International Corporation, achieved record Net Sales and Other Revenue and record Net Income in 1975. Net Sales and Other Revenue in the amount of $653.1 million surpassed the previous high (1974) of $643.2 million, an increase of 1.5%. Net Income for 1975 was $18.1 million, exceeding 1974 by $3.6 million, 24.4%.

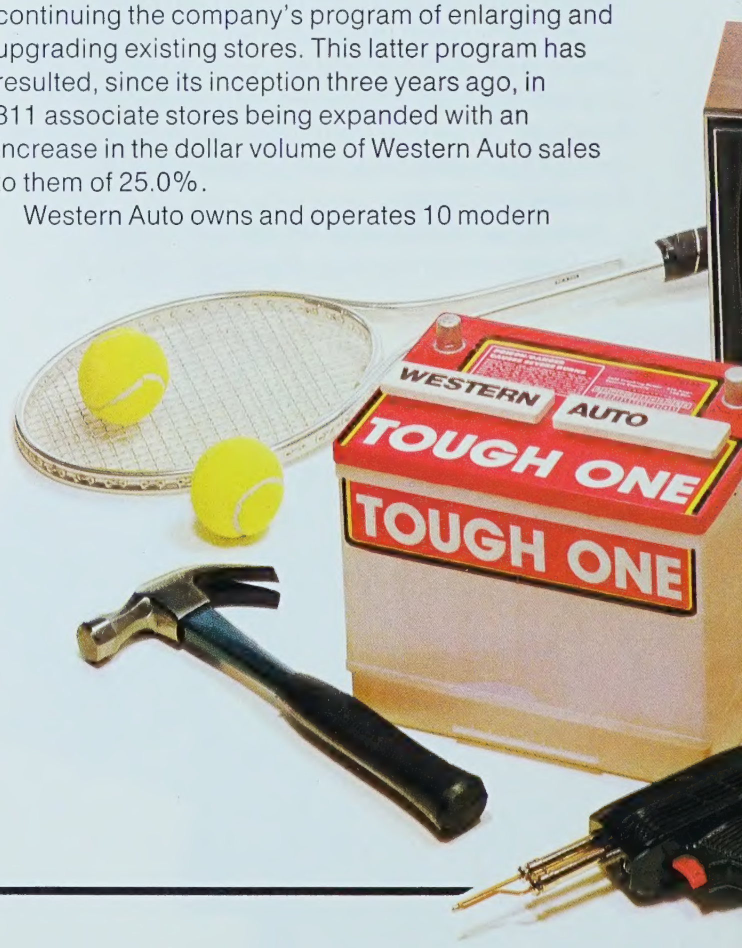
Net Sales and Other Revenue of Western Auto's 534 company-owned stores was $214.0 million, an increase of 2.9% over 1974. During the year 17 company-owned stores were opened and 27 were closed. Credit sales accounted for 50.0% of total retail sales. The company's sales per square foot of selling space for stores opened a full year or more averaged $78.57 as compared with $78.23 in 1974.

Western Auto is continuing its program of opening larger stores with greater emphasis on automotive merchandise and service, hardware and do-it-yourself lines, and lawn and garden merchandise. This program accounted for the increase in retail sales even though there was a decline in the number of company-owned retail stores.

Wholesale Sales and Other Revenue relating to associate stores in 1975 was $351.1 million as compared with $370.7 million in 1974. The sales decline occurred primarily during the first part of the year and was the result of the industry-wide decrease in sales of higher-priced items and a decline in the number of Western Auto associate stores. During the second half of the year, particularly November and December, the company experienced increasing sales to associate stores, largely in major merchandise items.

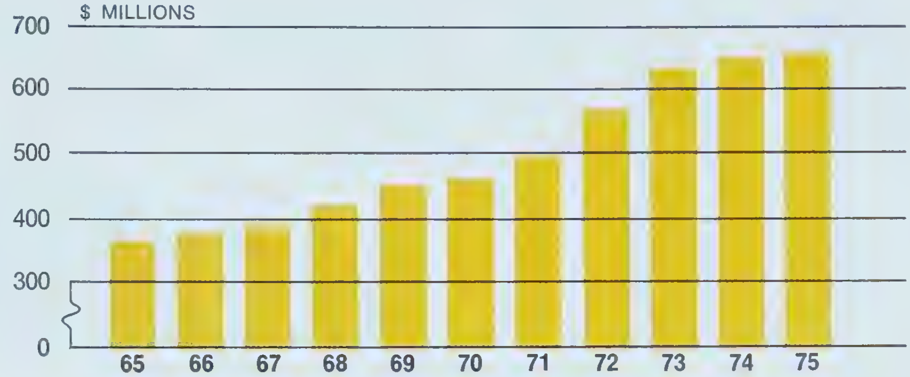
Credit sales to Western Auto associate stores during 1975 accounted for 29.0% of the wholesale sales volume. At the end of the year, the company had 4,114 associate stores, a decline of 157 during the year. Associate stores in abnormal number were closed due to the sluggish demand for higher-priced merchandise. Despite the decline in numbers, emphasis continues on opening new associate stores in new and developing market areas and continuing the company's program of enlarging and upgrading existing stores. This latter program has resulted, since its inception three years ago, in 311 associate stores being expanded with an increase in the dollar volume of Western Auto sales to them of 25.0%.

Western Auto owns and operates 10 modern



Net Sales and Other Revenue

1975	$653,081,000
1974	643,204,000
1973	631,989,000
1972	566,797,000
1971	498,695,000
1970	461,295,000
1969	451,521,000
1968	418,698,000
1967	391,636,000
1966	376,507,000
1965	362,814,000



distribution centers strategically located throughout the United States. Almost all of the merchandise sold by the company is received in these distribution centers from merchandise sources and then transported by company-owned or leased trucks to the company-owned and associate stores. During 1975, improvement in distribution center operations contributed significantly to the company's Net Income. Total merchandise distribution cost in 1975 was 3.13% of Net Sales and Other Revenue compared to 3.43% in 1974.

Western Acceptance Company, a wholly-owned subsidiary of Western Auto, purchases receivables generated by Western Auto company-owned stores and associate stores. As of December 31, 1975 Western Acceptance Company held $216.5 million in receivables as compared with $211.4 million on December 31, 1974.

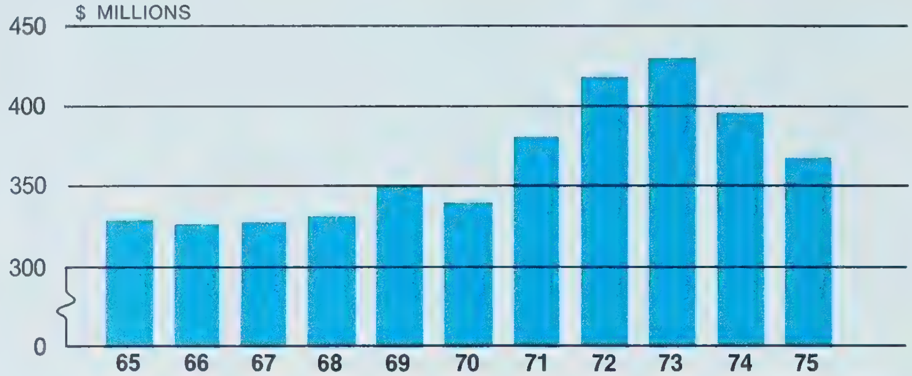
Midland International Corporation, a wholly-owned subsidiary of Western Auto, is an international marketing and importing subsidiary engaged in the sale of communication and other electronic equipment, automotive accessories, tools, and sporting goods. Midland has become a leader in the fast growing citizens band radio industry, which accounts for the exceptional increase in sales and in Net Income. In 1975 it had sales of $92.5 million as compared with $69.7 million in 1974, an increase of 32.6%. The above sales figures are before eliminating intercompany sales of $15.0 million and $11.4 million. Midland's Net Income, exclusive of Eva Gabor International, Ltd., a subsidiary of Midland, was $6.1 million as compared with $0.1 million in 1974. Eva Gabor International is engaged in the business of importing and selling hair goods and accessories and the production and sale of women's high-fashion dresses and sports and leisure wear. In 1975 it had sales of $10.5 million and earnings of $0.3 million as compared with sales of $6.3 million and a net loss (after tax credit) of $0.3 million in 1974.

For 1976 Western Auto anticipates improved sales and a continuation of its good operating results.

To help meet the needs of today's consumer, Western Auto stores offer a wide array of durable, well-known products at practical prices—sporting and leisure goods, hardware, gardening equipment, automotive products, and household appliances.

Net Sales and Other Revenue

1975	$367,319,000
1974	396,028,000
1973	430,613,000
1972	418,602,000
1971	379,846,000
1970	338,745,000
1969	350,119,000
1968	329,444,000
1967	326,667,000
1966	326,387,000
1965	328,560,000



Spiegel, Inc.

Spiegel sells consumer merchandise, primarily soft goods, through catalogs, by mail and in order stores. Its attractive four color catalog offers a wide variety of quality products for both the home and family. Many most-wanted national brand products are featured.

Net Sales and Other Revenue for 1975 was $367.3 million as compared to $396.0 million in 1974, a decrease of 7.2%. Net Income for 1975 of $4.7 million was 12.1% less than the prior year's $5.3 million. The decrease in Net Income resulted from the decline in merchandise sales, resulting from the adoption of higher credit standards, economic recession, and spotty recovery.

Cash sales of $71.3 million for the year reflected a 28.6% increase while credit sales of $194.9 million showed a decrease of 16.3%. Consumer reluctance to assume new or additional debt, the tightening of credit acceptance policies, and less credit sales promotion contributed to the decline in credit sales. At year end there were 1.6 million active customer accounts with an average balance of $235. Customer accounts receivable of $382.5 million were 12.8% less than a year ago.

Catalog order store sales in 1975 were $111.3 million, a decrease of 3.0% from a year ago, and represented 41.8% of sales. At year end there were 257 units in operation compared to 270 at the close of 1974. A review of the performance of each of these units has presently identified about 60 units that will be closed in early 1976.

Customer accounts receivable of $31.0 million were charged off in 1975, a decrease of 6.4% from the prior year, with particularly significant improvement during the last half of the year, which recorded a 20.6% decline. Delinquency as a percentage of receivables at year end was 15.8% less than the previous year, with an improvement in every month throughout the year. This improved performance resulted from a continuation of tight credit acceptance policies for both new and active customers, the installation of a refined credit scoring system for direct mail customers, and the establishment of regional collection offices to handle delinquent accounts. In 1976, Spiegel anticipates a continuing decrease in delinquency and bad debts as a percentage of receivables.

At year end, merchandise inventories were $4.3 million less than a year earlier, and inventory turn-

Shoppers rely on Spiegel for quality soft goods for the whole family . . . stylish wearing apparel, modern home furnishings, and a wide variety of brand-name merchandise for today's lifestyle . . . selected out of the Spiegel Catalog . . . by mail at home or at convenient Spiegel order stores.

over of 7.3 times for the year compared with 6.6 times for the previous year. The program to improve merchandise inventory management and control continued to progress with a target date of 1977 established for complete implementation.

A Spiegel Review Committee composed of senior Beneficial executives was appointed by the Executive Committee of Beneficial Corporation to review all phases of the operations of Spiegel and to make recommendations towards improving Spiegel's profitability. Pursuant to this Committee's recommendation, experienced Beneficial Finance System executives were placed in charge of the Spiegel credit operation. This has contributed substantially to the reduction in delinquency and charge-offs and has resulted in the establishment of regional collection centers throughout the country. A nationally prominent management consulting firm was retained to evaluate certain aspects of the Spiegel operation, and confirmed Beneficial's opinion that Spiegel has the potential for improving profits. The management consulting firm will be retained to assist in implementing its recommendations.

Commencing January 1, 1976 Spiegel obtained the services of Henry A. Johnson as its new Chief Executive Officer. He brings to Spiegel extensive experience and recognized performance credentials in the catalog merchandising field. Beneficial is confident Mr. Johnson will provide fresh and aggressive leadership to the Spiegel organization that will result in improved levels of profit performance.

General

In August 1975 the number of directors constituting the Board of Directors was increased by four. The new directors elected at that time are Robert C. Cannada, a senior partner in a Jackson, Mississippi law firm; Elbert N. Carvel, a former Governor of Delaware, Vice Chairman of the Board of Trustees of the University of Delaware, Chairman of Peoples Bank and Trust Company, a subsidiary, and a member of the Boards of Directors of other companies; Finn M. W. Caspersen, then Vice-President of Beneficial; and Arthur T. Ward, Jr., a medical doctor practicing in Baltimore, Maryland. At the same time Mr. Caspersen was designated as an additional member of the Executive Committee. In November 1975 Mr. Caspersen was elected Vice-Chairman of the Board of Directors and was also appointed as an additional member of the Finance Committee. Effective January 1, 1976 Mr. Joseph R. Roberge, a former officer of certain subsidiaries, was elected Assistant Vice-President.

In anticipation of the retirement from the Board of James E. Burd and Modie J. Spiegel, both retired former Chairmen of the Board of Spiegel, Inc.; Arthur C. Swanson, a former Chairman of the Board of Western Auto; William E. Thompson, a retired Vice-President and Secretary of Beneficial; and Ralph B. Williams, a retired President of an affiliated holding company, the Board of Directors will be reduced to 17 effective at the Annual Meeting, April 30, 1976. Beneficial appreciates the contributions they have made throughout their many years of service.

At the end of 1975, after 41 years of dedicated service, James E. Burd retired as Chairman of the Board and Chief Executive Officer of Spiegel, Inc. and as Vice-President of Beneficial. Henry A. Johnson, a former top executive officer of a large mail order company, was elected Chairman of the Board and Chief Executive Officer of Spiegel, Inc.

FORM 10-K

The Company will furnish without charge to each shareholder, upon written request, a copy of the Company's Annual Report on Form 10-K, including the financial statements and the schedules thereto, for the year 1975 which the Company is required to file with the Securities and Exchange Commission.

Requests should be addressed to: Mr. Edwin M. Stokes, Vice-President and Secretary, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

Beneficial Corporation
and Consolidated Subsidiaries

Balance Sheet December 31

ASSETS	1975	1974
	(amounts in thousands)	
Cash (Note 3)	**$ 40,632**	$ 41,621
Finance Receivables (Note 4)	**2,216,956**	2,161,937
Less Unearned Finance Charges	**388,500**	380,437
Balance of Principal of Finance Receivables	**1,828,456**	1,781,500
Less: Reserve for Possible Credit Losses	**(95,054)**	(92,638)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	**(70,533)**	(57,288)
Net Finance Receivables	**1,662,869**	1,631,574
Security Investments (Notes 2a and 5)	**276,697**	149,205
Receivable from Spiegel, Inc. and Subsidiaries (Note 6 and Page 24)	**123,833**	188,016
Investments in Non-Consolidated Subsidiaries (at equity in net assets):		
Western Auto Supply Company (Page 21)	**244,502**	234,355
Spiegel, Inc. (Page 24)	**84,989**	80,339
Other	**4,332**	4,237
	333,823	318,931
Fixed Assets (at cost, less accumulated depreciation and amortization of $16,256 and $14,464)	**21,997**	23,650
Other Assets (Note 7)	**84,091**	81,832
TOTAL	**$2,543,942**	$2,434,829

LIABILITIES AND SHAREHOLDERS' EQUITY	1975	1974
Short-Term Notes and Employee Thrift Accounts (Note 8)	**$ 309,080**	$ 289,897
Accounts Payable and Accrued Liabilities (Note 9)	**111,197**	66,780
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	**44,574**	28,729
Long-Term Debt (Note 10)	**1,355,273**	1,360,464
TOTAL LIABILITIES	**1,820,124**	1,745,870
Shareholders' Equity (Notes 2a, 5, 10, and 12):		
Preferred Stock	**140,793**	140,498
Common Stock	**19,029**	18,976
Capital Surplus	**40,141**	39,658
Retained Earnings	**523,855**	489,827
TOTAL SHAREHOLDERS' EQUITY	**723,818**	688,959
TOTAL	**$2,543,942**	$2,434,829

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Beneficial Corporation
and Consolidated Subsidiaries

Statement of Income Five Years Ended December 31, 1975

FINANCE DIVISION	**1975**	1974	1973	1972	1971
REVENUE:			*(amounts in thousands)*		
Loan and Finance	**$383,445**	$388,218	$366,470	$331,382	$304,199
Insurance	**78,414**	64,321	49,847	45,539	31,858
TOTAL	**461,859**	452,539	416,317	376,921	336,057
EXPENSES:					
Interest	**109,207**	120,570	106,220	91,665	81,526
Less Interest Income from Non-Consolidated Subsidiaries	**11,539**	15,483	17,475	18,158	15,544
Interest (net)	**97,668**	105,087	88,745	73,507	65,982
Salaries and Employee Benefits	**90,646**	90,750	87,094	81,541	73,492
Provision for Possible Credit Losses (after offsetting recoveries)	**54,755**	51,123	40,756	34,042	28,566
Insurance Benefits Provided	**42,340**	38,581	30,158	22,499	15,812
Advertising, Telephone, Postage, Rent, and Other	**75,355**	74,562	67,849	62,436	54,744
TOTAL	**360,764**	360,103	314,602	274,025	238,596
OPERATING INCOME	**101,095**	92,436	101,715	102,896	97,461
FOREIGN EXCHANGE GAIN (LOSS) (Notes 1e, 2b, and 11)	**(6,042)**	(11,217)	(1,236)	1,645	1,367
INCOME BEFORE PROVISION FOR INCOME TAXES	**95,053**	81,219	100,479	104,541	98,828
PROVISION FOR INCOME TAXES:					
U. S. and Foreign (Note 14)	**37,426**	30,817	42,186	37,196	40,416
State and Local	**7,057**	6,590	5,857	7,558	6,500
TOTAL	**44,483**	37,407	48,043	44,754	46,916
INCOME FROM FINANCE DIVISION (Note 2b)	**50,570**	43,812	52,436	59,787	51,912
MERCHANDISING DIVISION					
INCOME OF NON-CONSOLIDATED SUBSIDIARIES:					
Western Auto Supply Company and Subsidiaries (Page 22)	**18,147**	14,582	15,293	17,359	15,166
Spiegel, Inc. and Subsidiaries (Page 25)	**4,650**	5,288	8,044	5,058	1,677
INCOME FROM MERCHANDISING DIVISION	**22,797**	19,870	23,337	22,417	16,843
INCOME BEFORE EXTRAORDINARY CREDIT (Note 2b)	**73,367**	63,682	75,773	82,204	68,755
EXTRAORDINARY CREDIT (Note 16)	**—**	12,109	—	—	—
NET INCOME (Note 2b)	**$ 73,367**	$ 75,791	$ 75,773	$ 82,204	$ 68,755
EARNINGS PER COMMON SHARE—PRIMARY (Notes 2b and 17):					
Earnings Available for Common Stock	**$63,858**	$66,259	$65,767	$72,084	$58,409
Average Outstanding Shares	**19,145**	19,103	18,705	18,413	18,143
Net Income (1974 includes Extraordinary Credit of $.64)	**$3.34**	$3.47	$3.51	$3.92	$3.22
EARNINGS PER COMMON SHARE—FULLY-DILUTED (Notes 2b and 17):					
Earnings Available for Common Stock	**$71,982**	$74,451	$74,437	$80,933	$67,511
Average Outstanding Shares	**24,451**	24,479	24,459	24,494	24,516
Net Income (1974 includes Extraordinary Credit of $.49)	**$2.94**	$3.04	$3.04	$3.30	$2.75
DIVIDENDS PER COMMON SHARE	**$1.25**	$1.25	$1.20	$1.10	$1.0667

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

Loan and Finance Revenue decreased 1.2% in 1975 although average Finance Receivables increased 1.8%. For 1974 this Revenue increased 5.9% while average Finance Receivables increased 6.4%. The smaller gain in average Finance Receivables in 1975 resulted primarily from Beneficial's tightening of its customer credit standards. The decrease in Revenue for 1975 as compared to 1974 reflects primarily Beneficial's increased emphasis on the making of larger loans, as permitted by legislative changes, on which the rate of interest charged is less than on smaller loans. See the Loan and Finance Offices section on Page 4 for more information.

Insurance Income increased 21.9% in 1975 and 29.0% in 1974. These increases reflect a program begun in 1974 of reinsuring credit property coverages previously carried by non-affiliated insurers. The gain in 1975 reflects also an increase in premium earned on credit accident and health insurance and a $2.5 million (41.2%) increase in investment income. The gain in 1974 reflects also new reinsurance of non-credit fire and casualty coverages. See the Insurance Group section on Page 6 for more information.

Interest Expense decreased 7.1% in 1975, due to lower interest rates and lesser borrowings, and increased 18.4% in 1974, reflecting higher interest rates, which reached record levels, as well as higher borrowing levels. See Earnings and Dividends section on Page 2.

Provision for Possible Credit Losses (after offsetting recoveries) increased 7.1% in 1975 and 25.4% in 1974 primarily as a result of increasingly higher charge-offs. During this period, particularly in 1974, inflationary pressures and high levels of unemployment severely curtailed the discretionary income of customers, thereby adversely affecting the ability of many to adequately meet their obligations. See the Reserve for Possible Credit Losses section on Page 6 for more information.

Insurance Benefits Provided increased 9.7% in 1975 and 27.9% in 1974. The increase in 1975 was substantially less than the comparable increase in Revenue due primarily to very favorable loss ratios on newly-acquired reinsurance of credit property programs while 1975's increase relates to that year's increase in volume. See additional detail under Insurance Group on Page 6.

The $6.0 million Foreign Exchange Loss in 1975 represents principally an unrealized translation loss resulting from a decline in foreign currencies (principally Canadian) relative to the U. S. dollar. The $11.2 million loss in 1974 results primarily from exposure in two currencies: the effect of devaluation on net assets denominated in Australian dollars and appreciation of net liabilities denominated in Swiss francs. Additional information is given in Notes 1e, 2b, and 11 on Pages 16 and 18.

Changes in Provision for U. S. and Foreign Income Taxes are explained in the rate reconciliation in Note 14, Page 19.

Income from non-consolidated merchandising subsidiaries is discussed and analyzed for Western Auto Supply Company on Page 22 and for Spiegel, Inc. on Page 25.

Statement of Retained Earnings Five Years Ended December 31, 1975

	1975	1974	1973	1972	1971
		(amounts in thousands)			
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	**$487,861**	$438,699	$395,138	$344,445	$306,888
Adjustment for Retroactive Effect of Change of Accounting Method (Note 2b)	**1,966**	8,652	8,806	7,677	6,215
BALANCE, BEGINNING OF YEAR, AS ADJUSTED	**489,827**	447,351	403,944	352,122	313,103
Net Income (Note 2b)	**73,367**	75,791	75,773	82,204	68,755
Total	**563,194**	523,142	479,717	434,326	381,858
Dividends on Capital Stock:					
Preferred	**9,596**	9,626	10,029	10,319	10,579
Common	**23,756**	23,689	22,337	20,063	19,157
Total Dividends	**33,352**	33,315	32,366	30,382	29,736
BALANCE, END OF YEAR	**$529,842***	$489,827	$447,351	$403,944	$352,122

*The Balance Sheet Retained Earnings has been reduced by $5,987,000 for net unrealized losses on equity securities. (See Note 5.)

The Notes to Financial Statements should be considered in connection with this statement.

Statement of Capital Surplus Five Years Ended December 31, 1975

	1975	1974	1973	1972	1971
			(amounts in thousands)		
BALANCE, BEGINNING OF YEAR	**$39,658**	$39,180	$36,524	$35,324	$39,424
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	**118**	231	1,761	724	1,204
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	**164**	22	825	234	437
In connection with 3-for-2 Common Stock split effective January 31, 1972	**—**	—	—	—	(6,033)
Miscellaneous	**201**	225	70	242	292
BALANCE, END OF YEAR	**$40,141**	$39,658	$39,180	$36,524	$35,324

Statement of Changes in Financial Position Five Years Ended December 31, 1975

	1975	1974	1973	1972	1971
			(amounts in thousands)		
SOURCE OF FUNDS:					
Operations:					
Income before extraordinary credit	**$ 73,367**	$ 63,682	$ 75,773	$ 82,204	$ 68,755
Non-cash charges (credits) to income:					
Provision for possible credit losses (before offsetting recoveries)	**60,221**	56,214	44,288	37,876	32,191
Change in accounts payable and accrued liabilities	**44,417**	(6,893)	11,091	(2,300)	855
Increase in insurance reserves	**29,090**	21,060	14,010	9,215	23,623
Depreciation, amortization, and other	**6,400**	5,858	4,732	4,043	3,709
Foreign exchange (gain) loss (unrealized portion)	**3,669**	9,744	344	(1,891)	(970)
Deferred income taxes	**(3,902)**	17,925	(1,439)	(745)	356
Undistributed net income of non-consolidated subsidiaries	**(14,892)**	(19,166)	(22,646)	(22,652)	(14,824)
Total funds provided by operations	**198,370**	148,424	126,153	105,750	113,695
Extraordinary credit (Note 16)	**—**	12,109	—	—	—
Collections of principal on finance receivables	**865,921**	893,793	937,162	849,556	768,068
Advances to non-consolidated subsidiaries—net decrease (increase)	**64,183**	38,458	26,091	(8,300)	(12,718)
Short-term notes and employee thrift accounts—net increase (decrease)	**19,183**	24,298	9,933	(42,594)	45,121
Long-term debt issued	**39,372**	103,945	75,000	238,021	157,759
Other	**(8,531)**	29,457	7,296	(7,323)	(19,320)
	$1,178,498	$1,250,484	$1,181,635	$1,135,110	$1,052,605
APPLICATION OF FUNDS:					
New funds lent to customers	**$ 975,777**	$1,065,317	$1,108,918	$1,020,686	$ 873,911
Increase in security investments (at carrying amount)	**127,492**	48,403	11,053	23,778	32,083
Long-term debt paid	**41,877**	103,449	29,298	60,264	116,875
Dividends on capital stock	**33,352**	33,315	32,366	30,382	29,736
	$1,178,498	$1,250,484	$1,181,635	$1,135,110	$1,052,605

The Notes to Financial Statements should be considered in connection with the above statements.

Notes to Financial Statements

1. *Summary of Significant Accounting Principles and Practices*

a) Examination of Financial Statements. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements include, after inter-company eliminations, all significant subsidiaries except the merchandising subsidiaries (Western Auto Supply Company and Subsidiaries and Spiegel, Inc. and Subsidiaries). However, the equity of the Company in the net assets and net income of all subsidiaries is included. Reference is made to the condensed financial statements of the merchandising subsidiaries which appear elsewhere in this report. Certain amounts for prior years have been restated to conform with 1975 classifications.

c) Finance Operations. The financial statements, with the exception of "Revenue—Loan and Finance" and certain operating expenses, are prepared on the accrual basis. The unrecorded asset of finance charges receivable exceeds the unrecorded liability for expenses payable. Such excess and the interperiod change therein are not considered material in relation to the Balance Sheet and Statement of Income respectively.

Unearned finance charges generally are taken into income as earned and collected under the Rule of 78ths method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered uncollectible or to require disproportionate collection costs are charged to the Reserve for Possible Credit Losses monthly, but collection efforts are continued on the majority of accounts.

d) Insurance Operations. Insurance subsidiaries are engaged primarily in credit life, credit accident and health, and casualty insurance.

The financial statements of all insurance subsidiaries are prepared in conformity with Generally Accepted Accounting Principles.

Premiums on credit life and credit accident and health insurance are generally taken into income as earned under the Rule of 78ths. Premiums on casualty insurance are taken into income on the straight-line method.

e) Translation of Foreign Currencies. Assets, including immaterial amounts of fixed assets and related accumulated depreciation and amortization, and liabilities in foreign currencies (principally Canadian) are translated to U. S. dollar equivalents at the market rates at each Balance Sheet date. Translation of foreign operating results is at the average market rates for each period covered by the Statement of Income. The net gain or loss is credited or charged to income.

2. *Changes in Accounting Methods*

a) Accounting for Equity Securities. Effective December 31, 1975 the insurance subsidiaries changed their method of accounting for marketable equity securities to reflect market value rather than cost as the carrying amount to conform with the insurance industry audit guide as modified by Statement No. 12 recently issued by the Financial Accounting Standards Board (FASB). Under the new accounting method, the carrying amount of marketable equity securities is adjusted from cost to market value through a valuation allowance. The change in the valuation allowance is not reflected in Net Income but directly in Retained Earnings. (See Note 5.)

b) Translation of Foreign Currencies. The Company retroactively has changed its method of accounting for unrealized gains and losses on the translation of foreign currencies to conform with Statement No. 8 recently issued by the FASB. Previously, exchange adjustments resulting from translation were credited or charged to the Balance Sheet account "Unrecognized Gain on Translation of Foreign Currencies" and any loss in excess of the accumulated unrecognized gain was charged to income. (See Note 1e.)

Financial statements for prior years have been restated to apply the newly adopted method. Such restatement resulted in the following increases (decreases) for the four years ended December 31:

	1974	1973	1972	1971
		(in millions)		
Net Income as Previously Reported	$82.5	$75.9	$81.1	$67.3
Adjustment	(6.7)	(0.1)	1.1	1.5
Net Income as Adjusted	$75.8	$75.8	$82.2	$68.8
Earnings per Common Share:				
Primary:				
As Previously Reported	$3.82	$3.52	$3.86	$3.14
Adjustment	(.35)	(.01)	.06	.08
As Adjusted	$3.47	$3.51	$3.92	$3.22
Fully-diluted:				
As Previously Reported	$3.31	$3.05	$3.26	$2.69
Adjustment	(.27)	(.01)	.04	.06
As Adjusted	$3.04	$3.04	$3.30	$2.75

The balances in Retained Earnings have been adjusted for the cumulative effect of the change.

The effect of the accounting change relating to the translation of foreign currencies resulted in the following increases for the year ended December 31, 1975: Net Income, $1.3 million; Earnings per Common Share—Primary, $.07; Fully-diluted, $.05.

3. *Cash*

Cash on December 31 consists of the following:

	1975	1974
	(in thousands)	
On Hand and Unrestricted Deposits	$ 5,367	$ 8,071
Compensating Balances	35,265	33,550
Total Cash	$40,632	$41,621

Compensating balance requirements generally are the greater of 10% of the bank line of credit or 20% of actual borrowings. The use of lines of credit is periodically rotated among banks. (See Note 8.)

4. *Finance Receivables*

The amount of and maximum term in months (from origination) of Finance Receivables at December 31 are as follows:

	1975	1974	1975	1974
	(in millions)		(months)	
Direct Cash Loans:				
Dollar-cost	$1,596	$1,611	84	84
Interest-bearing	493	431	120	84
All Loans	2,089	2,042		
Sales Finance Contracts	128	120	48	48
Total Finance Receivables	$2,217	$2,162		

Scheduled contractual payments of Finance Receivables to be received after December 31, 1975 are as follows:

	1976	1977	1978	1979	Beyond
Direct Cash Loans:					
Dollar-cost	42%	33%	17%	6%	2%
Interest-bearing	39	26	17	10	8
All Loans	41	31	17	7	4
Sales Finance Contracts	70	25	5	—	—
Total Finance Receivables	43	31	16	6	4

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal on Finance Receivables amounted to $865.9 million for 1975 and $893.8 million for 1974.

The percentage of monthly cash principal collections to average monthly balances was 4.12% for 1975 and 4.29% for 1974.

5. *Security Investments*

Except for temporary and miscellaneous investments of the Beneficial Finance System, $117.5 million in 1975 and $30.8 million in 1974 (at amortized cost), these are held by the insurance subsidiaries as long-term investments except for amounts awaiting long-term investment. Debt securities are carried at amortized cost. Equity securities, all of which are marketable, are carried at market value (see Note 2a) and had a cost of $31.4 million at December 31, 1975. Equity securities at December 31, 1974 had a cost of $26.4 million. Security Investments at December 31 consist of the following:

	1975		1974	
	Carrying Amount	Market Value	Carrying Amount	Market Value
	(in millions)			
Debt Securities:				
Certificates of Deposit	$ 6.9	$ 6.9	$ 6.4	$ 6.4
Commercial Paper	62.1	62.1	28.2	28.2
U.S. Government Obligations	58.3	58.2	1.7	1.7
Foreign Government Agency Obligations	5.7	5.7	—	—
Municipal Bonds	77.3	68.9	62.7	55.0
Convertible Bonds	11.9	10.8	6.9	4.4
Non-Convertible Bonds	21.5	20.5	14.6	14.6
Other	7.6	7.6	2.3	2.3
	251.3	240.7	122.8	112.6
Equity Securities:				
Preferred Stocks	9.7	9.7	10.0	7.6
Convertible Preferred Stocks	1.2	1.2	2.0	1.4
Common Stocks	14.5	14.5	14.4	9.0
	25.4	25.4	26.4	18.0
Total Security Investments	$276.7	$266.1	$149.2	$130.6

The net unrealized loss on equity securities at December 31, 1975 of $6.0 million (gross losses of $6.2 million less gross gains of $0.2 million) is netted against Retained Earnings in the accompanying Balance Sheet at December 31, 1975.

Realized gains and losses, determined on the identified cost basis, have not been material.

6. *Receivable from Spiegel, Inc. and Subsidiaries*

Of this amount at December 31, 1975 and 1974 $34.0 million and $44.8 million are receivable from Fairfax Family Fund, Inc., a consumer loan company.

7. *Other Assets*

At December 31 these consist of the following:

	1975	1974
	(in thousands)	
Excess of Cost of Common Stock of Certain Subsidiaries over Equity in Net Assets Thereof at Dates of Acquisition	$27,686	$27,886
Deferred Income Tax Benefits	12,199	9,716
Unamortized Long-Term Debt Expense	8,865	9,061
Unamortized Insurance Acquisition Cost	9,329	7,688
Recoverable U.S. Federal Income Taxes	—	14,351
Other	26,012	13,130
Total Other Assets	$84,091	$81,832

(continued)

The Excess of Cost of Common Stock is not being amortized except for an insignificant amount relating to an acquisition in 1971 being amortized over a period ending in 1976.

Deferred Income Tax Benefits results from timing differences as follows:

	1975	1974
	(in thousands)	
Provision for Possible Credit Losses	$ 1,007	$3,615
Unrealized Foreign Exchange Losses	3,900	3,406
Incentive Compensation Plan	2,439	2,648
Earned but uncollected Canadian finance charges	4,563	—
Other	290	47
	$12,199	$9,716

8. *Short-Term Notes and Employee Thrift Accounts*

At December 31 these consist of the following:

	1975	1974
	(in thousands)	
Banks:		
Line of Credit Loans	$136,599	$107,932
Demand Master Note	—	10,000
	136,599	117,932
Commercial Paper	142,743	147,091
Total Short-Term Notes	279,342	265,023
Employee Thrift Accounts	29,738	24,874
Total	$309,080	$289,897

Data for Short-Term Notes for the years ended December 31 are:

	1975	1974
	(in thousands)	
Maximum amount at any month end	$279,342	$387,654
Average amount	$176,803	$279,213
Average interest rate	8.03%	10.96%

The average interest rates on Short-Term Notes outstanding at December 31, without giving effect to compensating balances at banks, and maturities are as follows:

	1975	1974
Average Interest Rates:		
Banks (at prime)	7.72%	10.74%
Demand Master Note (varies with prevailing money market rates)	—	8.88%
Commercial Paper (varies with prevailing money market rates)	6.84%	10.26%
Maturities in Days:		
Banks	1-90	1-70
Commercial Paper	15-182	7-266

At December 31 bank lines of credit are as follows:

	1975	1974
	(in thousands)	
Loans	$136,599	$107,932
Unused Portion	297,973	296,744
Total Lines	$434,572	$404,676

9. *Accounts Payable and Accrued Liabilities*

At December 31 these consist of the following:

	1975	1974
	(in thousands)	
Income Taxes Payable	$ 43,002	$ 5,075
Accrued Interest	23,969	25,482
Dealer Reserves	9,447	8,952
Minority Interest in Subsidiaries	4,556	4,901
Other	30,223	22,370
Total Accounts Payable and Accrued Liabilities	$111,197	$66,780

10. *Long-Term Debt and Surplus Restrictions*

Long-term debt outstanding December 31 is as follows:

	1975	1974
	(in thousands)	
By Currency:		
United States	$1,218,678*	$1,260,200*
Canadian	102,170	64,759
Swiss	34,425	35,505
Total Long-Term Debt	$1,355,273	$1,360,464
By Maturity:		
1975	$ —	$ 41,875
1976	154,979	157,318
1977	119,125	119,725
1978	33,578	33,578
1979	158,825	158,945
1980	119,686*	100,000*
1981-85	83,220	58,480
1986-90	209,764	215,543
1991-95	176,096	175,000
1996-2000	225,000	225,000
2001-02	75,000	75,000
Total Long-Term Debt	$1,355,273	$1,360,464
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	6.66%	6.68%

*Includes subordinated debt of $50.0 million.

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1975 and 1974 the amounts of all unrestricted Surplus (Capital Surplus and Retained Earnings), under the most restrictive of these covenants, are approximately $257 million and $248 million.

11. *Foreign Operations*

After translation to U.S. dollar equivalents, assets, liabilities, and net assets denominated in foreign currencies at December 31 and operating income, foreign exchange loss, and net income from operations in foreign countries for the years then ended are:

	1975	1974
	(in millions)	
Assets	$331.3	$328.1
Liabilities	206.5	171.0
Net Assets	$124.8	$157.1
Operating Income*	$20.1	$13.0
Foreign Exchange Gain (Loss)*	(5.5)	(6.4)
Net Income	$14.6	$ 6.6

*After income taxes.

The foreign exchange loss results primarily for 1975 from the decline in the value of the Canadian dollar and for 1974 from exposure in two currencies: the effect of devaluation on net assets denominated in Australian dollars and appreciation of net liabilities denominated in Swiss francs.

12. Capital Stock

At December 31 the number of shares of capital stock is as follows:

	Issued and Outstanding	
	1975	1974
Preferred Stock—no par value (issuable in series). Authorized, 500,000	None	None
5% Cumulative Preferred Stock—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred Stock—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $72,567,200 and $73,326,800). Authorized, 1,164,077	725,672	733,268
$4.50 Dividend Cumulative Preferred Stock—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred Stock—no par value—$100 stated value (each share convertible prior to November 1, 1977 into 2.1 shares of Common). Authorized, 1,069,204	954,960	950,493
Common Stock—$1 par value. Authorized, 60,000,000	19,029,426(b	18,975,957(b

After deducting treasury shares

a)	178,012	178,012
b)	4,839,918	4,850,127

Of the authorized shares shown above as of December 31, 1975, an aggregate of 5,270,940 shares of Common are issuable upon conversion of $5.50 Preferred and $4.30 Preferred.

13. Employee Retirement Plans

Substantially all employees of the Company and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded except for relatively minor amounts, which for the most part are being funded over periods of approximately ten years. Total expense of the plans was $2.1 million for 1975 and $1.6 million for 1974. Recent legislative changes are not expected to cause a significant increase in expense.

14. U.S. and Foreign Taxes on Income

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including the merchandising subsidiaries. The Provision for U. S. and Foreign Income Taxes is comprised of:

	1975	1974
	(in thousands)	
United States:		
Current	$30,316	$ 2,603
Deferred	(1,513)	22,841
Total U.S.	28,803	25,444
Foreign:		
Current	10,355	10,289
Deferred	(1,732)	(4,916)
Total Foreign	8,623	5,373
Total	$37,426	$30,817

A reconciliation between the expected and the effective U. S. and foreign tax rates on income from the Finance Division before income taxes is as follows:

	1975	1974	1973
		(in millions)	
Income before Provision for Income Taxes	$95.1	$81.2	$100.5
Less: Net Income of Non-Consolidated Finance Division Subsidiaries	0.2	0.4	0.5
State and Local Income Taxes	7.1	6.6	5.9
	7.3	7.0	6.4
Income of Consolidated Companies before Provision for U.S. and Foreign Income Taxes	$87.8	$74.2	$ 94.1
Expected Provision for U.S. and Foreign Income Taxes (at 48%)	$42.1	$35.6	$45.2
Expected Tax Rate (as used above)	48.0%	48.0%	48.0%
Increases (Decreases) in Taxes Resulting from:			
Income of insurance subsidiaries taxed at lower effective rates	(7.3)	(5.7)	(3.2)
Differential between U.S. and foreign tax rates	(0.1)	(1.3)	(2.9)
Adjustments of taxes relating to prior years	0.2	(1.0)	1.8
Unrealized foreign exchange loss (gain)	1.4	1.0	(0.5)
Receipt of dividends from subsidiaries	0.5	0.3	2.7
Other	(0.1)	0.2	(1.1)
Effective Tax Rate	42.6%	41.5%	44.8%
Provision for U.S. and Foreign Income Taxes	$37.4	$30.8	$42.2

U. S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as such retained earnings are expected to be permanently invested in foreign countries. If such

(continued)

earnings were remitted, available foreign income tax credits would substantially offset applicable U.S. income taxes.

15. Leases

Rent expense was $14.6 million for 1975 and $14.1 million for 1974. Real estate leases total 1,730 and generally have an original term of five years with renewal option for a like term. Data processing equipment lease terms range from two to seven years and generally are renewable. The minimum rental commitments under non-cancelable leases at December 31, 1975 are as follows:

	(in millions)		
1976	$8.7	1980	$2.1
1977	6.7	1981 thru 1985	2.3
1978	4.9	Thereafter	0.1
1979	3.5		

Leases covering 75% or more of the economic life of the property or that assure lessors full recovery of investment plus a reasonable rate of return are immaterial.

16. 1974 Extraordinary Credit

In October 1974 a non-consolidated 79.9% owned subsidiary, whose operations in prior years were not significant, sold for cash 64,000 acres of undeveloped land in Florida. Substantially all of the proceeds have been distributed in liquidation. Beneficial Corporation's portion of the gain, after taxes of $5.2 million at capital gain rates, was $12.1 million.

17. Earnings Per Common Share

Primary Earnings per Common Share is computed on basis of average shares outstanding and equivalents thereof, after deducting dividend requirements on Preferred Stocks. None of the Preferred Stocks are common stock equivalents.

Fully-diluted Earnings per Common Share is computed on same basis as above except that average shares outstanding include those that would result from conversion of $5.50 Preferred Stock and $4.30 Preferred Stock, and preferred dividend requirements on only nonconvertible issues are deducted.

18. Insurance Group

Selected data for the years ended December 31 for the insurance subsidiaries are as follows:

	1975	1974
	(in millions)	
Premium Income	$ 69.5	$ 58.7
Investment Income (net)	8.8	6.3
Benefits Provided	42.3	38.6
Other Operating Expenses	15.7	13.0
Net Income	17.2	10.7
Total Assets	195.6	148.3
Insurance in Force	2,735.0	2,794.0

Accountants' Opinion

The Board of Directors and Shareholders of Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1975 and 1974 and the related statements of income, retained earnings, capital surplus, and changes in financial position for the five years ended December 31, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Western Auto Supply Company and Consolidated Subsidiaries and Spiegel, Inc. and Consolidated Subsidiaries (non-consolidated subsidiaries), the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements for such companies were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1975 and 1974 and the results of their operations and changes in their financial position for the five years ended December 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change made in the method of accounting for gains and losses on translation of foreign currencies except for the change in the method of accounting for certain marketable securities; we concur as to both changes, which are described in Note 2.

HASKINS & SELLS

Newark, N.J.
February 20, 1976

Condensed Balance Sheet December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
ASSETS		
Cash	$ 6,982	$ 19,379
Notes and Accounts Receivable, less allowance for doubtful receivables of $14,718 and $14,083 and unearned finance charges of $14,447 and $12,113 (Note 1c)	253,228	248,643
Inventories, at lower of cost (first-in, first-out) or replacement market	133,653	142,551
Other Current Assets	14,128	14,758
Total Current Assets	407,991	425,331
Fixed Assets, at cost less accumulated depreciation and amortization of $19,852 and $16,498	66,300	65,614
Excess of Cost of Common Stock of Subsidiaries over Equity in Net Assets at Dates of Acquisition	1,381	1,718
Other Assets	1,204	1,182
Total	$476,876	$493,845
LIABILITIES AND SHAREHOLDER'S EQUITY		
Notes Payable	$ 12,573	$ 57,020
Trade Accounts Payable	51,171	47,757
Federal and State Income Taxes Payable (Note 1d):		
Current	9,669	636
Deferred	23,522	22,873
Other Current Liabilities	35,231	30,422
Total Current Liabilities	132,166	158,708
Long-Term Debt (Note 2)	100,208	100,782
Shareholder's Equity (Note 2)	244,502	234,355
Total	$476,876	$493,845

Condensed Statement of Changes in Financial Position Five Years Ended December 31, 1975

	1975	1974	1973	1972	1971
		(amounts in thousands)			
SOURCE OF FUNDS:					
Net Income	$18,147	$14,582	$15,293	$17,359	$15,166
Expenses Not Requiring Concurrent Cash Outlays (principally depreciation and amortization)	5,947	5,099	4,142	3,719	3,143
Funds Provided from Operations	24,094	19,681	19,435	21,078	18,309
Long-Term Debt Issued	423	49,732	1,121	146	49,371
Proceeds from Sale of Fixed Assets and Other	144	851	571	866	570
	$24,661	$70,264	$21,127	$22,090	$68,250
APPLICATION OF FUNDS:					
Additions to Fixed Assets	$ 6,520	$15,054	$18,990	$16,947	$ 9,352
Reduction of Long-Term Debt	684	2,873	498	1,190	1,393
Cash Dividends	8,000	1,000	1,000	1,000	100
Other	255	—	304	528	1,052
Increase (Decrease) in Working Capital:					
Notes and Accounts Receivable	4,585	16,358	28,647	26,530	7,336
Inventories	(8,898)	240	(1,480)	22,936	12,025
Accounts and Notes Payable	41,033	33,116	(36,016)	(51,337)	19,790
Other	(27,518)	1,623	9,184	4,296	17,202
Increase in Working Capital	9,202	51,337	335	2,425	56,353
	$24,661	$70,264	$21,127	$22,090	$68,250

Condensed Statement of Income and Retained Earnings Five Years Ended December 31, 1975

	1975	1974	1973	1972	1971
		(amounts in thousands)			
Net Sales and Other Revenue	**$653,081**	$643,204	$631,989	$566,797	$498,695
Cost of Goods Sold and Operating Expenses (including depreciation and amortization of $5,690, $4,983, $4,052, $3,626, and $3,100)	**602,470**	593,990	588,911	524,618	462,235
Net Operating Income	**50,611**	49,214	43,078	42,179	36,460
Interest Expense	**13,071**	19,904	13,831	7,799	6,303
Income before Taxes on Income	**37,540**	29,310	29,247	34,380	30,157
Federal and State Income Taxes:					
Current	**20,216**	13,515	11,775	16,069	16,022
Deferred	**(823)**	1,213	2,179	952	(1,031)
Total Federal and State Taxes on Income	**19,393**	14,728	13,954	17,021	14,991
Net Income	**18,147**	14,582	15,293	17,359	15,166
Retained Earnings, Beginning of Year	**160,637**	147,055	132,762	116,403	101,337
Total	**178,784**	161,637	148,055	133,762	116,503
Dividends Paid	**8,000**	1,000	1,000	1,000	100
Retained Earnings, End of Year (Note 2)	**$170,784**	$160,637	$147,055	$132,762	$116,403

Management's Discussion and Analysis of the Condensed Statement of Income

The Condensed Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Condensed Statement of Income.

Sales increases during the years 1971-73 were primarily attributable to the expansion in number of associate dealer and retail units. This expansion was curtailed in 1974 and 1975 as the result of adverse economic conditions. During 1974 and the first three quarters of 1975 the sales growth was further weakened by a decline in consumer demand for major appliances and bicycles and the liquidation of inventories by the company's associate stores. The fourth quarter of 1975 saw a general strengthening in both retail and associate dealer sales as general economic conditions improved. The rapid growth in the citizens band radio industry, particularly in the last six months, was a significant factor in the strengthening of sales and Net Operating Income in 1975.

The increase in Interest Expense from 1971 through 1974 was due to increased rates and the expansion of debt required to finance the company's growth, particularly in associate dealer accounts receivable and the modernization and expansion of distribution centers. The decline of Interest Expense of $6.8 million in 1975 was the result of lower rates ($3.1 million) and lower average inventories and receivables ($3.7 million).

Notes to Condensed Financial Statements

1. *Accounting Policies*

a) Examination of Financial Statements. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements include the accounts of Western Auto Supply Company and all subsidiaries.

c) Notes and Accounts Receivable. Included in current receivables are amounts becoming due after one year of $82.7 million at December 31, 1975 and $78.6 million at December 31, 1974.

d) Taxes on Income and Investment Credit. Deferred taxes result from timing differences in recognition of income and expense for tax and financial statement purposes. The deferred tax provision of ($823,000) for 1975 was primarily related to: gross profit on credit sales reported on the instalment basis for tax purposes ($753,000), increase in allowance for doubtful receivables not

deductible for tax purposes ($182,000), excess of tax over statement depreciation $589,000, and increase in merchandise warranty reserve not deductible for tax purposes ($464,000). In 1974 the deferred tax provision of $1,213,000 was primarily related to: gross profit on credit sales reported on the instalment basis for tax purposes $317,000, decrease in allowance for doubtful receivables not deductible for tax purposes $569,000, and excess of tax over statement depreciation $418,000. Investment tax credits, which are immaterial in amount, are deferred and amortized over an eight year period.

e) Interim Operating Results. During interim periods, the company estimates cost of sales by using actual costs for wholesale sales and estimated gross profit for retail sales. In addition, provisions are made for inventory shortages and for merchandise obsolescence. Final determination of physical inventory adjustments and of obsolete or deteriorated merchandise generally occurs in the fourth quarter. The adjustments made in the fourth quarter for these items had the effect of increasing Net Income for that quarter by $0.6 million in 1975, $2.3 million in 1974, and $1.6 million in 1973, offsetting corresponding reductions in the first three quarters of the respective years.

f) Depreciation. Depreciation of fixed assets is on a straight-line method over the useful lives of the assets.

g) Employee Retirement Plan. The company's policy is to fund current retirement costs, including a provision for funding prior service costs, currently.

h) Merchandise Warranty Reserves. Reserves are maintained to provide for anticipated costs relating to merchandise under warranty.

i) Pre-opening Costs. Pre-opening and start-up costs for new stores and distribution centers are charged to operations as incurred.

2. Long-Term Debt and Restrictions on Retained Earnings

Included in long-term debt is $48.1 million (after deducting $1.9 million held in treasury for 1976 sinking fund requirements) of 7.85% sinking fund debentures due 1996, which require sinking fund payments commencing in 1976, and $50.0 million of 9.5% debentures due in 1979. The indentures relating to these debentures contain covenants restricting payment of dividends, the purchase or retirement of the company's capital stock, investments, and indebtedness. At December 31, 1975 the amount of shareholder's equity unrestricted under these covenants was $75.7 million.

3. Profit Sharing and Retirement Plans

Substantially all employees of the company and its subsidiaries are covered by trusteed profit sharing and retirement plans. The amounts charged to expense for the five years ended December 31, 1975, starting with 1975, in millions, were $4.0, $4.6, $4.2, $4.4, and $3.8.

4. Leases

At December 31, 1975 real property was occupied under 657 separate operating leases expiring from 1976 to 1995 with aggregate minimum annual rentals of $10.7 million. Rentals charged to expense for the five years ended December 31, 1975, starting with 1975, in millions, were $16.0, $17.4, $17.5, $15.8, and $13.8.

Accountants' Opinion

The Board of Directors of Western Auto Supply Company

We have examined the condensed balance sheets of Western Auto Supply Company and Consolidated Subsidiaries as of December 31, 1975 and 1974 and the related condensed statements of income and retained earnings and changes in financial position for the five years ended December 31, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned condensed financial statements present fairly the financial position of Western Auto Supply Company and Consolidated Subsidiaries at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the five years ended December 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis.

Kansas City, Missouri
February 13, 1976

PEAT, MARWICK, MITCHELL & CO.

Spiegel, Inc.
and Consolidated Subsidiaries

Condensed Balance Sheet December 31, 1975 and 1974

	1975	1974
	(amounts in thousands)	
ASSETS		
Cash	**$ 7,654**	$ 6,755
Accounts and Notes Receivable, less allowance for doubtful accounts of $37,675 and $47,351 and unearned time price differential of $96,414 and $113,770 (Note 1c and d)	**400,411**	455,283
Inventories, at lower of cost (first-in, first-out) or market	**41,617**	46,048
Prepaid Expenses	**9,744**	10,870
Total Current Assets	**459,426**	518,956
Properties, at cost less accumulated depreciation of $18,574 and $19,138	**19,498**	20,378
Other Assets	**2,465**	2,844
Total	**$481,389**	$542,178
LIABILITIES AND SHAREHOLDER'S EQUITY		
Payable to Beneficial Corporation (Note 2c)	**$123,833**	$188,016
Other Current Debt	**537**	476
Federal and State Income Taxes Payable (Note 1e):		
Current	**790**	549
Deferred	**68,993**	72,704
Other Current Liabilities	**46,102**	42,787
Total Current Liabilities	**240,255**	304,532
Long-Term Debt (Note 3)	**156,145**	157,307
Shareholder's Equity (Note 1g)	**84,989**	80,339
Total	**$481,389**	$542,178

Condensed Statement of Changes in Financial Position Five Years Ended December 31, 1975

	1975	1974	1973	1972	1971
			(amounts in thousands)		
SOURCE OF FUNDS:					
Net Income	**$ 4,650**	$ 5,288	$ 8,044	$ 5,058	$ 1,677
Expenses Not Requiring Concurrent Cash Outlays (depreciation and amortization) (Note 1f)	**3,103**	3,242	3,220	2,890	2,864
Funds Provided by Operations	**7,753**	8,530	11,264	7,948	4,541
Issuance of Long-Term Debt	—	—	—	1,050	—
	$ 7,753	$ 8,530	$11,264	$ 8,998	$ 4,541
APPLICATION OF FUNDS:					
Additions to Properties	**$ 1,610**	$ 1,231	$ 1,163	$ 3,663	$ 2,809
Reduction of Long-Term Debt	**1,162**	559	3,638	1,387	2,097
Other	**234**	452	428	557	520
	3,006	2,242	5,229	5,607	5,426
Increase (Decrease) in Working Capital:					
Accounts and Notes Receivable (net)	**(54,872)**	(21,154)	17,600	28,534	27,188
Inventories	**(4,431)**	(1,505)	(13,438)	11,031	9,928
Accounts and Notes Payable and Accrued Liabilities	**(3,271)**	107	(588)	(5,195)	(6,928)
Federal and State Income Taxes Payable	**3,470**	(9,411)	(21,648)	(22,389)	2,735
Payable to Beneficial Corporation	**64,183**	38,375	22,926	(9,209)	(36,693)
Other	**(332)**	(124)	1,183	619	2,885
Increase (Decrease) in Working Capital	**4,747**	6,288	6,035	3,391	(885)
	$ 7,753	$ 8,530	$11,264	$ 8,998	$ 4,541

Condensed Statement of Income and Retained Earnings Five Years Ended December 31, 1975

	1975	1974	1973	1972	1971
		(amounts in thousands)			
Net Sales and Other Revenue (Note 1c)	**$367,319**	$396,028	$430,613	$418,602	$379,846
Cost of Goods Sold (including buying and occupancy expenses)	**172,840**	186,293	210,678	205,645	192,968
Selling and Administrative Expenses (including Provision for Doubtful Accounts of $21,287, $31,393, $29,654, $31,593, and $26,695)	**165,243**	175,349	177,719	176,457	159,642
Interest Expense (including $11,470, $15,432, $17,600, $18,184, and $15,277 to Beneficial Corporation)	**20,184**	24,125	26,470	27,204	24,245
Total of Above Costs and Expenses	**358,267**	385,767	414,867	409,306	376,855
Income before Income Taxes	**9,052**	10,261	15,746	9,296	2,991
Provision for Federal and State Income Taxes (Note 1e):					
Current	**8,113**	(4,372)	(12,817)	(20,192)	4,822
Deferred	**(3,711)**	9,345	20,519	24,430	(3,508)
Total Provision	**4,402**	4,973	7,702	4,238	1,314
Net Income	**4,650**	5,288	8,044	5,058	1,677
Retained Earnings, Beginning of Year	**38,461**	33,173	25,129	20,071	18,394
Retained Earnings, End of Year	**$ 43,111**	$ 38,461	$ 33,173	$ 25,129	$ 20,071

Management's Discussion and Analysis of the Condensed Statement of Income

The Condensed Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Condensed Statement of Income.

1975-1974

Net Sales and Other Revenue declined 7.2% from 1974 primarily because of the continuing effect of the economic recession. Also, the continuation of restrictive credit acceptance policies, coupled with consumer reluctance to assume increased debt, had a depressing effect on credit sales.

Cost of Goods Sold, including buying and occupancy expenses, decreased 7.2%, reflecting the reduced level of merchandise sales.

Selling and Administrative Expenses decreased 5.8% due primarily to the decline in the Provision for Doubtful Accounts, resulting from lower credit sales, increased collection efforts, and the effect of the company's restrictions on credit acceptance.

Income before Income Taxes decreased due to the decline in merchandise sales and to costs from consolidating and eliminating certain operational facilities, offset partially by reduced Interest Expense because of lower borrowings (from Beneficial Corporation). Provision for Income Taxes is reduced correspondingly to the reduction in Income before Income Taxes.

1974-1973

Net Sales and Other Revenue declined 8.0% from 1973 principally because of imposition by the company of higher credit standards, decreased circulation of sales material, reduced customer response, and other causes related to the economic recession.

Cost of Goods Sold, including buying and occupancy expenses, declined 11.6% from 1973. This decline, evidenced in every major merchandise category, was caused principally by the decrease in sales.

Interest Expense decreased 8.9% primarily because of the reduction in amount payable to Beneficial Corporation as a result of receiving credit from Beneficial Corporation for tax losses for 1974 and prior years and a moderate contraction of receivables and inventory.

The decrease in Income before Income Taxes in 1974 resulted primarily from the decrease in Net Sales and Other Revenue and an increase in the Provision for Doubtful Accounts, offset partially by reduced selling expenses (due to the lower sales volume) and Interest Expense. Correspondingly, the decrease in the Provision for Income Taxes results from the decrease in pre-tax income. The effective rates of income taxes are approximately the same in both years.

Notes to Condensed Financial Statements

1. *Accounting Policies*

a) Examination of Financial Statements. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements consolidate Spiegel, Inc. and subsidiaries (all of which are wholly-owned) including Fairfax Family Fund, Inc., a consumer loan company, and Guaranteed Equity Life Insurance Co. Net Sales and Other Revenue and Net Income include the following amounts relating to Fairfax and Guaranteed:

	1975	1974	1973	1972	1971
			(in millions)		
Interest and Premium Income	$18.5	$18.0	$17.2	$16.3	$15.9
Net Income	$2.0	$2.3	$2.9	$2.7	$2.2

c) Net Sales and Other Revenue. Instalment sales represent a substantial portion of sales. For financial statement purposes, the revenue from the time price differential on these instalment sales is recognized using the effective yield method.

d) Accounts and Notes Receivable. In accordance with generally recognized trade practice, Accounts and Notes Receivable (before deduction of unearned time price differential) includes approximate amounts becoming due after one year of $264 million and $311 million at December 31, 1975 and 1974.

e) Taxes on Income. For income tax purposes the income arising from instalment sales is reported on the cash collection basis. The income taxes deferred as a result thereof are included in current liabilities as Federal and State Income Taxes Payable—Deferred, which represents the accumulated total of reductions in income taxes, arising principally from the use for tax purposes of the cash collection basis. (See Note 2c.)

f) Depreciation and Amortization. Depreciation of property is provided on the straight-line method over the estimated useful lives.

Major computer development costs and catalog order store pre-opening expenses are deferred and amortized over a period not in excess of five years.

g) Employee Pension Plan. The company has an unfunded, non-contributory pension plan for eligible hourly-compensated employees. Pension costs charged to expense, including amortization of prior service costs over forty years, for the five years ended December 31, 1975, starting with 1975, aggregated $600,000, $540,000, $666,000, $425,000, and $364,000. The 1974 pension reform legislation will increase 1976 pension costs by approximately $350,000 and will require funding of pension costs. At December 31, 1975 the actuarially computed excess of vested benefits (as adjusted for the effect of the 1974 pension reform legislation) over Balance Sheet accruals was approximately $12.0 million.

2. *Transactions with Affiliated Companies*

A summary of transactions with the company's parent and other affiliated companies follows:

a) An insurance subsidiary of Beneficial provides credit life insurance to Spiegel customers electing such coverage as well as to certain borrowers from Fairfax (Note 1b). Guaranteed (Note 1b) reinsures approximately 20% of the foregoing coverage. Premiums paid to the subsidiary of Beneficial were $5.9 million in 1975 and $6.0 million in 1974. The excess of such premiums over claims paid, adjustments to funded reserves, and commissions of 18% were paid to Spiegel and its subsidiaries in amounts aggregating $0.8 million in both 1975 and 1974.

b) The interest rate on borrowings from the parent has been 7½% since April 1, 1974 and was 7% prior to that date.

c) The company's results of operations for tax purposes (exclusive of the insurance company) are included in consolidated federal income tax returns of the company's parent. Taxes currently payable or

receivable are reflected in the liability to Beneficial Corporation. The total provisions for federal income taxes for financial statement purposes are approximately the same as they would have been had the company filed separate returns. (See Note 1e.)

d) During 1975 Beneficial began providing certain services for the collection of mail order receivables. Charges to Spiegel in 1975 for such services aggregated approximately $980,000.

3. Long-Term Debt

At December 31, 1975 long-term debt, some of which is secured by property, and which bears interest at 4.5% to 5.9%, matures, in millions, as follows: 1976—$0.5; 1977—$5.5; 1978—$5.5; 1979—$55.5; 1980—$5.5; and 1981 through 1992—$84.2.

4. Leases

Rent expense, principally for catalog offices and data processing equipment, in millions, for the five years ended December 31, 1975, starting with 1975, was $5.2, $5.4, $5.7, $6.3, and $5.9. Minimum rental commitments under non-cancelable leases, net of sub-leases, in millions, at December 31, 1975 were: 1976—$2.8; 1977—$1.9; 1978—$1.5; 1979—$1.0; 1980—$0.6; and 1981 through 1985—$0.1.

Accountants' Opinion

The Board of Directors of Spiegel, Inc.

In our opinion the accompanying condensed balance sheet at December 31, 1975 and 1974 and the related condensed statements of income and retained earnings and of changes in financial position present fairly the financial position of Spiegel, Inc. and Consolidated Subsidiaries and the results of their operations and the changes in their financial position for the five years ended December 31, 1975, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Chicago, Illinois
February 13, 1976

Beneficial Corporation
and Consolidated Subsidiaries

Eleven-Year Summary

Years Ended December 31	1975	1974	1973	1972
During the Year				
Consolidated				
Net Income (a)	$ 73,367	63,682(b	75,773	82,204
Earnings per Common Share (dollars) (a)				
Primary	$ 3.34	2.83(b	3.51	3.92
Fully-diluted	$ 2.94	2.55(b	3.04	3.30
Average Number of Common Shares				
Primary	19,145	19,103	18,705	18,413
Fully-diluted	24,451	24,479	24,459	24,494
Cash Dividends paid per Common Share (dollars)	$ 1.25	1.25	1.20	1.10
Finance Division				
Volume of Finance Receivables Acquired less Unearned Finance Charges	$1,553,622	1,669,254	1,739,432	1,632,869
Number of Finance Receivables Acquired	1,512	1,886	2,177	2,150
Average Amount of Transaction (dollars)	$ 1,028	885	799	759
% of Monthly Cash Principal Collections to Average Monthly Balances	4.12	4.29	4.80	4.77
% of Finance Receivables Charged Off (after Offsetting Recoveries) to Average Monthly Balances	2.42	2.12	1.82	1.56
Revenue	$ 461,859	452,539	416,317	376,921
Income before Income Taxes (a)	$ 95,053	81,219	100,479	104,541
Income from Finance Division (a)	$ 50,570	43,812	52,436	59,787
% of Income from Finance Division to Revenue (a)	10.95	9.68	12.60	15.86
Merchandising Division				
Western Auto Supply Company and Subsidiaries				
Net Sales and Other Revenue	$ 653,081	643,204	631,989	566,797
Net Income	$ 18,147	14,582	15,293	17,359
% of Net Income to Net Sales and Other Revenue	2.78	2.27	2.42	3.06
Spiegel, Inc. and Subsidiaries				
Net Sales and Other Revenue	$ 367,319	396,028	430,613	418,602
Net Income (Loss)	$ 4,650	5,288	8,044	5,058
% of Net Income (Loss) to Net Sales and Other Revenue	1.27	1.34	1.87	1.21
Combined				
Net Sales and Other Revenue	$1,020,400	1,039,232	1,062,602	985,399
Income before Income Taxes	$ 46,592	39,571	44,993	43,676
Income from Merchandising Division	$ 22,797	19,870	23,337	22,417
% of Income from Merchandising Division to Net Sales and Other Revenue	2.23	1.91	2.20	2.27
At Year End				
Consolidated				
Total Debt	$1,664,353	1,650,361	1,618,862	1,558,101
Shareholders' Equity (a)	$ 723,818	688,959	646,165	599,964
Ratio of Total Debt to Shareholders' Equity	2.30 to 1	2.40 to 1	2.51 to 1	2.60 to 1
Finance Division				
Finance Receivables less Unearned Finance Charges	$1,828,456	1,781,500	1,700,696	1,579,689
% of Unearned Finance Charges to Related Net Finance Receivables	29.10	28.16	27.80	27.68
Reserve for Possible Credit Losses	$ 95,054	92,638	86,736	82,154
% of Reserve for Possible Credit Losses to Finance Receivables less Unearned Finance Charges	5.20	5.20	5.10	5.20
% of Finance Receivables (account balances, loans only) with Payments More than Two Months Delinquent (based upon recency of payment)	1.29	1.28	1.15	0.99
Number of Accounts	2,008	2,138	2,250	2,223
Average Account Balance (dollars)	$ 911	833	756	711

1971	1970	1969	1968	1967	1966	1965
(amounts in thousands, except where noted)						
68,755	59,194	53,627	51,965	49,100	54,032	47,478
3.22	2.71	2.45	2.37	2.21	2.55	2.17
2.75	2.36	2.14	2.07	1.95	2.18	1.93
18,143	17,885	17,488	17,047	16,965	16,531	16,122
24,516	24,494	24,493	24,461	24,417	23,986	24,644
1.0667	1.0667	1.0667	1.0667	1.0667	1.0667	.97
,461,770	1,368,832	1,402,672	1,352,295	1,162,047	1,148,152	1,105,807
1,940	1,924	2,120	2,199	2,105	2,207	2,190
753	711	662	615	552	520	505
4.68	4.50	4.85	5.11	5.24	5.21	5.47
1.57	1.40	1.22	1.26	1.41	1.33	1.23
336,057	305,445	276,032	244,572	224,633	212,930	190,788
98,828	88,378	77,629	70,296	64,962	65,701	58,130
51,912	48,092	39,316	36,900	35,244	36,007	30,936
15.45	15.74	14.24	15.09	15.69	16.91	16.21
498,695	461,295	451,521	418,698	391,636	376,507	362,814
15,166	14,917	15,587	14,798	13,447	13,310	13,587
3.04	3.23	3.45	3.53	3.43	3.54	3.74
379,846	338,745	350,119	329,444	326,667	326,387	328,560
1,677	(3,815)	(1,276)	267	409(c	4,715	2,955
0.44	(1.13)	(0.36)	0.08	0.13	1.44	0.90
878,541	800,040	801,640	748,142	718,303	702,894	691,374
33,148	21,655	30,987	32,378	24,592	34,999	31,991
16,843	11,102	14,311	15,065	13,856	18,025	16,542
1.92	1.39	1.79	2.01	1.93	2.56	2.39
,423,438	1,337,433	1,232,399	1,091,634	944,648	915,682	796,958
547,054	506,100	475,578	449,137	424,028	402,475	372,796
2.60 to 1	2.64 to 1	2.59 to 1	2.43 to 1	2.23 to 1	2.28 to 1	2.14 to 1
,441,331	1,366,537	1,267,075	1,135,077	988,752	944,011	853,091
26.85	25.13	24.86	23.45	22.28	22.38	22.87
76,448	73,657	69,625	63,408	59,012	55,109	49,936
5.30	5.39	5.49	5.59	5.97	5.84	5.85
0.89	0.96	0.90	0.83	0.86	0.74	0.77
2,105	2,125	2,132	2,121	2,085	2,111	1,955
685	643	594	535	474	447	436

Notes:

* The data for all years include results of companies accounted for on a pooling of interest basis and all data have been adjusted for pooling of interests; for comparability certain amounts for 1974 and prior years have been reclassified to conform with the 1975 classifications.

a) Years prior to 1975 have been restated. (See Note 2b, Page 16.)

b) Excludes Extraordinary Credit of $12.1 million from sale of undeveloped land by a non-consolidated subsidiary (see Note 16, Page 20). Primary and Fully-diluted Earnings per Common Share exclude Extraordinary Credit of $.64 and $.49 per share respectively.

c) Includes profit from sale of a foreign subsidiary (net of federal income tax) of $1.2 million.

Beneficial Corporation
and Consolidated Subsidiaries

Data by Calendar Quarter

	1975 First Quarter	1975 Second Quarter	1975 Third Quarter
REVENUE			
Finance Division	$113,545	$112,721	$114,956
Merchandising Division			
Western Auto Supply Company and Subsidiaries	148,768	175,890	161,100
Spiegel, Inc. and Subsidiaries	83,403	79,648	82,596
Revenue from Merchandising Division	232,171	255,538	243,696
Total	$345,716	$368,259	$358,652
INCOME BEFORE INCOME TAXES			
Finance Division (a)	$30,301	$25,091	$26,576
Merchandising Division			
Western Auto Supply Company and Subsidiaries	7,278	9,834	8,893
Spiegel, Inc. and Subsidiaries	2,053	2,408	1,027
Income before Income Taxes from Merchandising Division	9,331	12,242	9,920
Total (a)	$39,632	$37,333	$36,496
NET INCOME			
Finance Division (a)	$15,546	$16,390	$12,648
Merchandising Division			
Western Auto Supply Company and Subsidiaries	3,438	4,765	4,518
Spiegel, Inc. and Subsidiaries	940	1,218	380
Income from Merchandising Division	4,378	5,983	4,898
Total (a)	$19,924	$22,373	$17,546
EARNINGS PER COMMON SHARE (a)			
Primary	$.92	$1.04	$.79
Fully-diluted	$.80	$.90	$.70
SHARES ENTITLED TO VOTE			
$5.50 Dividend Cumulative Convertible Preferred Stock			
High Sales Price	$ 81.75	$ 93.50	$ 90.00
Low Sales Price	72.75	77.00	70.00
Dividends Paid per Share	1.375	1.375	1.375
$4.30 Dividend Cumulative Preferred Stock (Convertible prior to November 1, 1977)			
High Sales Price	51.75	51.375	51.375
Low Sales Price	38.00	46.00	42.50
Dividends Paid per Share (payable semi-annually)	2.15	—	2.15
Common Stock			
High Sales Price	19.875	21.75	20.50
Low Sales Price	14.125	16.00	15.25
Dividends Paid per Share	.3125	.3125	.3125

a) Quarterly figures for the first three quarters of 1975 and quarterly and total figures for 1974 have been restated for change in method of accounting for unrealized gains and losses in connection with the translation of foreign currencies. (See Note 2b, Page 16.)

Fourth Quarter	Total	1974 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(in thousands, except per share figures)					
$120,637	$ 461,859	$108,736	$112,336	$115,657	$115,810	$ 452,539
167,323	653,081	157,789	182,155	161,829	141,431	643,204
121,672	367,319	88,873	89,799	85,480	131,876	396,028
288,995	1,020,400	246,662	271,954	247,309	273,307	1,039,232
$409,632	$1,482,259	$355,398	$384,290	$362,966	$389,117	$1,491,771
$13,085	$ 95,053	$31,812	$23,816	$14,214	$11,377	$ 81,219
11,535	37,540	7,402	8,886	8,171	4,851	29,310
3,564	9,052	2,740	3,873	828	2,820	10,261
15,099	46,592	10,142	12,759	8,999	7,671	39,571
$28,184	$141,645	$41,954	$36,575	$23,213	$19,048	$120,790
$ 5,986	$50,570	$18,000	$13,262	$ 6,304	$ 6,246	$43,812
5,426	18,147	3,709	4,462	3,890	2,521	14,582
2,112	4,650	1,325	1,945	333	1,685	5,288
7,538	22,797	5,034	6,407	4,223	4,206	19,870
$13,524	$73,367	$23,034	$19,669	$10,527	$10,452(b	$63,682(b
$.59	$3.34	$1.08	$.91	$.42	$.42(b	$2.83(b
$.54	$2.94	$.93	$.79	$.41	$.42(b	$2.55(b
$ 84.00		$116.25	$98.625	$77.50	$ 79.00	
68.625		105.00	76.625	58.50	60.625	
1.375	$5.50	1.375	1.375	1.375	1.375	$5.50
50.00		67.00	54.00	46.50	47.25	
42.00		53.50	47.00	37.75	37.00	
—	4.30	2.15	—	2.15	—	4.30
19.50		27.375	20.75	17.00	18.00	
15.00		19.00	16.25	11.75	12.50	
.3125	1.25	.3125	.3125	.3125	.3125	1.25

b) Excludes Extraordinary Credit of $12.1 million (see Note 16, Page 20), equivalent to Earnings per Common Share of $.64 Primary and $.49 Fully-diluted.

Beneficial Corporation
Beneficial Building, Wilmington, Delaware

Board of Directors

CECIL M. BENADOM (1, 2)
President; Chairman of Executive Committee of Beneficial Management Corporation, a subsidiary

CHARLES W. BOWER (2)
Senior Vice-President and Treasurer

*JAMES E. BURD (1)
Retired; former Chairman of Board of Directors of Spiegel, Inc., a subsidiary

ROBERT C. CANNADA
Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada Jackson, Mississippi

ELBERT N. CARVEL
Vice Chairman of the Board of Trustees of the University of Delaware; Chairman of the Board of Peoples Bank and Trust Company, a subsidiary; member of boards of directors of other companies

FINN M. W. CASPERSEN (1, 2)
Vice-Chairman of Board of Directors; Associate Counsel and member of Executive Committee of Beneficial Management Corporation, a subsidiary; General Counsel of Beneficial Insurance Group

FREDA R. CASPERSEN
Chairman of Board of Directors of Westby Corporation, real estate investments, Wilmington, Delaware

THOMAS W. CULLEN (3)
Retired; former President of an affiliated holding company

GEORGE R. EVANS (1)
President and Member of Executive Committee of Beneficial Management Corporation, a subsidiary

LEON A. FULTS
President of Western Auto Supply Company, a subsidiary

J. THOMAS GURNEY (3)
Attorney at Law, Gurney, Gurney & Handley, Orlando, Florida

EDGAR T. HIGGINS (1)
Chairman of Board of Directors; General Counsel and Member of Executive Committee of Beneficial Management Corporation, a subsidiary

ARNOLD T. KOCH (3)
Of Counsel to Wormser, Kiely, Alessandroni & McCann, New York, N.Y.

THOMAS A. McGRATH (3)
Retired; former President of Beneficial Corporation

DeWITT J. PAUL
Retired; former Chairman of Board of Directors of Beneficial Corporation

*MODIE J. SPIEGEL
Retired; former Chairman of Board of Directors of Spiegel, Inc., a subsidiary

*ARTHUR C. SWANSON
Retired; former Chairman of Board of Directors of Western Auto Supply Company, a subsidiary

*WILLIAM E. THOMPSON
Retired; former Vice-President and Secretary of Beneficial Corporation

ROBERT A. TUCKER (1, 2)
First Vice-President; Member of Executive Committee of Beneficial Management Corporation, a subsidiary

ARTHUR T. WARD, JR.
Medical Doctor, Baltimore, Maryland

CHARLES H. WATTS, II (3)
President of Bucknell University, Lewisburg, Pa.

*RALPH B. WILLIAMS
Retired; former President of an affiliated holding company

1 Member of Executive Committee (Edgar T. Higgins, Chairman)
2 Member of Finance Committee (Robert A. Tucker, Chairman)
3 Member of Compensation Committee (Arnold T. Koch, Chairman)

* Retiring from Board as of the date of Annual Meeting, April 30, 1976

Officers

EDGAR T. HIGGINS
Chairman of the Board of Directors

FINN M. W. CASPERSEN
Vice-Chairman of Board of Directors

CECIL M. BENADOM
President

ROBERT A. TUCKER
First Vice-President

CHARLES W. BOWER
Senior Vice-President and Treasurer

WILLIAM A. GROSS
Senior Vice-President

EDGAR D. BAUMGARTNER
Vice-President and Tax Counsel

EDWIN M. STOKES
Vice-President and Secretary

RUSSELL W. WILLEY
Vice-President and Controller

CHARLES H. DONOVAN
Auditor

JOSEPH R. ROBERGE
Assistant Vice-President

GLENN E. PATON
Assistant Secretary

HAROLD J. ROBINSON
Assistant Secretary

JOHN R. DORAN
Assistant Treasurer

ELMER H. REYNOLDS
Assistant Treasurer

ROBERT F. HAAG
Assistant Controller

Beneficial Management Corporation

BENEFICIAL MANAGEMENT CORPORATION, a wholly-owned subsidiary, furnishes, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

Executive Committee

CECIL M. BENADOM
Chairman

FINN M. W. CASPERSEN

GEORGE R. EVANS

EDGAR T. HIGGINS

ROBERT A. TUCKER

GORDON L. WADMOND

Officers

GEORGE R. EVANS
President

GORDON L. WADMOND
Executive Vice-President

RICHARD A. WAGNER
Executive Vice-President Operating

JOHN BARYLICK, JR.
Senior Vice-President Business Development

RICHARD H. BATE
Senior Vice-President and Associate Counsel

LEO R. CARON
Senior Vice-President Operating

JOSEPH E. CHAUVETTE
Vice-President and Controller

VERNON L. COLLINS
Vice-President Audit

EDWARD A. DUNBAR
Senior Vice-President Insurance

JOHN M. FARRELL
Senior Vice-President Community Affairs

ROBERT P. FREEMAN
Senior Vice-President Personnel

LAWRENCE KELDER
Executive Assistant

ROBERT MALLOCK
Senior Vice-President Operating

DANIEL J. McCAFFREY
Senior Vice-President Operations

HELMUTH MILLER
Vice-President Public Relations

GEORGE B. PEARSON
Vice-President Planning and Research

R. DONALD QUACKENBUSH
Vice-President Insurance

CLIFFORD W. SNYDER
Vice-President Advertising

CHARLES V. WALSH
Vice-President and Associate Counsel

ROBERT C. WETZEL
Senior Vice-President Operating

WILLIAM G. WEISS
Senior Vice-President

JAMES D. WARREN
Assistant Vice-President, Secretary, and Associate Counsel

WILLIAM S. PRICKETT
Treasurer

KENNETH J. KIRCHER
Assistant Vice-President, Secretary to Executive and Management Committees, and Associate Counsel

EDGAR T. HIGGINS
General Counsel

Principal Executives of other Subsidiary Companies

J. E. ALDRIDGE
Vice-President
West Coast Central Department

LOUIS B. BALDWIN
Vice-President
Southern Department

PIERRE E. BASHE
Vice-President
California North Department

GEORGE B. BRUSH
Vice-President
New England Department

DEWEY O. CASSLER
Vice-President
Tri-State Department

ERNEST H. COLE
Vice-President
Southwest Department

PAUL CONAHAN
Vice-President
Beneficial Finance Co. of New York, Inc.

GEORGE R. EVANS
President
Beneficial Finance Co. of Canada

DAVID J. FARRIS
Vice-President
Central Department

JOHN FRANCE
Assistant Vice-President
England

GRANT H. GENSKE
Vice-President
Northwest Department

THOMAS E. GERRITY
Vice-President
Midwest Department

ROBERT M. GROHOL
Vice-President
Eastern Department

J. GAETAN HELMS
Vice-President
Montreal Department

GERALD L. HOLM
President
Beneficial Data Processing Corporation

CHARLES L. ROUNSAVALL
Vice-President
Midsouth Department

VERNON G. SMITH
President and Treasurer
Beneficial Finance Co. of New York, Inc.

JOSEPH A. STUBITS
Senior Vice-President Operating

HARRY E. VANDERBANK
Vice-President
East Central Department

BEVAN G. WALKER
Vice-President, Secretary-Treasurer
Beneficial Finance Co. of Canada

WILLIAM G. WEISS
Senior Vice-President
Toronto Department

MURRAY W. WILSON
Vice-President
Australia

JOHN F. YARLEY
Vice-President
Gulf Coast Department

Beneficial Insurance Group

The principal subsidiaries, all wholly-owned, comprising the Insurance Group conduct business both within and outside the United States as underwriters and reinsurers.

Principal Companies

THE CENTRAL NATIONAL LIFE INSURANCE COMPANY OF OMAHA

*GUARANTY LIFE INSURANCE COMPANY OF AMERICA

BENEFICIAL INTERNATIONAL INSURANCE COMPANY, LIMITED

AMERICAN CENTENNIAL INSURANCE COMPANY

AMERICAN INDEPENDENCE LIFE INSURANCE COMPANY

Officers of One or More Companies

EDWARD A. DUNBAR
Chairman of the Board of Directors

R. DONALD QUACKENBUSH
President

ROBERT E. GAEGLER
Vice-President and Controller

JAMES T. KEARNS
Vice-President Marketing and Operations

GERALD J. RIDDLE
President Property and Casualty Insurance

ALBERT G. MORHART
Vice-President Property and Casualty Insurance

DONALD K. SMITH
Vice-President

THEODORE H. CASSIDY
Vice-President

MARY R. BERMINGHAM
Secretary and Treasurer

WILLIAM G. JARMAN
Assistant Vice-President Marketing

DAVID F. RICHARDSON
Assistant to Vice-President

JOY ORCHARD
Assistant Secretary

EILEEN A. ANDERSON
Assistant Secretary

FINN M. W. CASPERSEN
Counsel to Beneficial Insurance Group

*This company is not the company formerly named Guaranty Life Insurance Company of America and now merged into Central National. The company now named Guaranty Life Insurance Company was formerly named Acme Life Insurance Company. At the time of the merger of the former Guaranty Life into Central National the name of Acme Life was changed to Guaranty Life Insurance Company of America.

Western Auto Supply Company

WESTERN AUTO SUPPLY COMPANY, Kansas City, Missouri, a wholly-owned subsidiary, is a nationwide organization selling at retail and wholesale a wide variety of merchandise, primarily durable goods.

Corporate Officers

LEON A. FULTS
President

JOSEPH C. GRISSOM
Executive Vice-President

KENNETH L. BROWN
Vice-President and Controller

HERBERT D. FROEMMING
Vice-President and Treasurer

JOHN H. HENKE
Vice-President

WILLIAM F. HOOTEN
Vice-President

PHILIP E. LONG
Vice-President

LOUIS L. POPLINGER
Vice-President and Secretary

R. T. RENFRO
Vice-President

RALPH H. WARNHOFF
Vice-President

R. P. BRADLEY
Assistant Treasurer

RALPH L. WRIGHT
Assistant Secretary

Appointed Vice-Presidents

Retail—Regional

KEITH G. BRANDT
JERRY D. DEMONBREUN
DAVID E. JACKSON
LOUIS H. KUNTZ
EUGENE A. RENNER
JOHN B. WISSMAN

Wholesale—Regional

NORMAN C. BARRY
VERNON R. BROWN
ARTHUR CASCIARO
T. M. LUFFMAN
MAX H. TOOLEY

Operations—Regional

JOSEPH F. BORNHEIMER
CLINT R. HOBBS
ROBERT E. LANDIS
CARL W. MAHAN
ROBERT L. TAGUE

JACK BAIRD
Vice-President Personnel and Industrial Relations

BRUCE S. BRYAN
Vice-President Retail Credit

Principal Officers of Subsidiaries

JOHN W. LANE
President of Midland International Corporation

ALVIN L. ESBIN
President of Eva Gabor International, Ltd.

Spiegel, Inc.

SPIEGEL, INC., Chicago, Illinois, a wholly-owned subsidiary, is engaged in the sale of merchandise, primarily soft goods, principally by mail and order stores through catalogs.

Officers

HENRY A. JOHNSON
Chairman of the Board of Directors

EDWARD J. SPIEGEL
President

NATHAN N. BRAVERMAN
Executive Vice-President

ARTHUR A. POMPER
Executive Vice-President

ALBERT R. BELL
Vice-President and Secretary

JOHN R. ERICKSON
Vice-President

LEONARD A. GITTELSOHN
Vice-President

WILLIAM M. GIUNTOLI
Vice-President

MILTON J. SHAPIN
Vice-President

PAUL A. STINNEFORD
Assistant Vice-President and Assistant Secretary

MICHAEL R. MORAN
Treasurer-Controller

MEYER SHEINFELD
Assistant Secretary

CAROLINE M. BIGGS
Assistant Treasurer

CLASSES OF STOCK	TRANSFER AGENTS	REGISTRARS
COMMON	Irving Trust Company, N. Y.	Chemical Bank, N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago
5% CUMULATIVE PREFERRED	Irving Trust Company, N. Y.	Manufacturers Hanover Trust Company, N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 DIVIDEND CUMULATIVE CONVERTIBLE PREFERRED	Morgan Guaranty Trust Company of New York	Citibank, N. A., N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 DIVIDEND CUMULATIVE PREFERRED	Bankers Trust Company, N. Y.	The Chase Manhattan Bank, N. A., N. Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 DIVIDEND CUMULATIVE PREFERRED (CONVERTIBLE)	Manufacturers Hanover Trust Company, N. Y.	The Chase Manhattan Bank, N. A., N. Y.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago

The principal market on which the above classes of stock are traded is the New York Stock Exchange.

Beneficial Corporation